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The Post-Merger Integration Phase of Organizations: A Longitudinal Examination
of Unresolved Issues of Justice and Identity

The Post-Merger Integration Phase of Organizations: A Longitudinal Examination of Unresolved Issues of Justice and Identity

Proefschrift

ter verkrijging van de graad van doctor aan de Universiteit van Tilburg, op gezag van de rector magnificus, prof. dr. Ph. Eijlander, in het openbaar te verdedigen ten overstaan van een door het college voor promoties aangewezen commissie in de aula van de Universiteit op maandag 30 mei 2011 om 14.15 uur door

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Prof. Dr. Xavier Y. F. Martin

Prof. Dr. Philippe Monin

Prof. Dr. Eero Vaara

To my family

PREFACE

This dissertation is the result of my work as a doctoral student at Tilburg University. In total, I spent around eight years in Tilburg. At the end of my bachelor in 2005 I decided to apply for the research master in Finance. Soon it became clear that my main interests were not in finance but in the field of organization and strategy. As a result I had a talk with Jean-François Hennart and almost the same day I switched to the research master in Organization and Strategy. In retrospect, I am glad that I made this choice. During my research master I came into close contact with Harry Barkema. He asked me to be one of his research assistants. This was a valuable time for me, not only in terms of the work that was to be done but also regarding the cooperation with Mario Schijven and Mark Boons. In my final year as a research master student Harry and I talked about the possibility of doing a PhD and he introduced me to Niels Noorderhaven. I had the honor to work on my dissertation under the supervision of Niels.

Niels, this dissertation could not have been completed without your continued support and advice. I am impressed by your theoretical thoroughness and the sharpness by which you conduct research. You really challenged my ideas throughout the process. Also as a person I value you very much. Our trips to the European outstations were always pleasant. Moreover, I remember our countless discussions and I still find it amazing how I always stepped out of your office with a good feeling. You shaped me as a scholar and as a person. For that I will always be grateful.

I would also like to thank my dissertation committee for the time and effort they spent on this thesis. Xavier Martin inspired me as one of the most rigorous scholars I have ever met. Xavier, your classes and the discussions I have had with you will continue to have a huge impact on my scholarly thinking. Jean-François Hennart supervised several projects of mine. Jean- François, I deeply value your professional and personal advice. Harry Barkema actually originated my academic career. Harry, as your research assistant I could improve my skills as a scholar. Moreover, I remember our pleasant talks about the more social issues in life. I will always be thankful for that. Together with Niels, Philippe Monin originated the research project at Air France-KLM. Philippe, I am impressed by the range of perspectives you are able to use looking at postmerger integration issues. During the discussions with our research team you always came

up with a valuable remark that no one thought about. In my final year as a doctoral student I had the pleasure getting to work with Eero Vaara. Eero, your work has been an inspiration to me and I am looking forward to our future cooperation. Taken together, I am proud and honored that you are all willing to join the dissertation committee.

During my time as a doctoral student I had the honor to be one of the researchers in a team of people who performed a large-scale examination of the integration processes at the merged companies Air France and KLM. Being part of such a great research team not only provides you with ample opportunities for feedback, it also leads to a valuable and rich dataset. Therefore, I would like to thank the following people: Niels Noorderhaven, Philippe Monin, Alma Timmers, Audrey Rouzies, Tessa Melkonian, and Guillaume Soenen.

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I am further grateful to all past and current department members of the Department of Organization and Strategy. You all, each in your own way, have had an impact on my academic career. Eric Dooms, Job de Haan, Astrid Kramer, Bert Meijboom, Fons Naus, Mark Overboom, Aswin van Oijen, Stijn van den Hoogen, Kim van Geijn and Alma Timmers, I would like to thank you for the nice chats and for your contribution to my personal development. Then, I would like to express my special gratitude to Marloes Röthengatter who has become not only a good colleague but also a close friend. Finally, I would like to thank the secretaries and administrators, Nienke, Angelique, Nancy, Mieke, Rina, Scarlett, Heidi and Ank for their assistance.

My PhD would not have been the same without my former fellow PhD students at Tilburg. Aukje, Jean-Malik, Ilya, Mark, Mienieke, and Miranda, I enjoyed sharing the difficult and beautiful moments we went through as part of our life as a doctoral student. Néomie, although you were located one floor below at the Marketing Department, we spent a lot of time together. I value you as a colleague but, perhaps more importantly, as a good friend and ‘future’ sister-in-

law. Thijs, we undoubtedly spent the most time together. We have become good friends over the years and I am honored that you will be my paranymp. Last, but not least, I would like to thank Youtha for being my officemate. You really made me feel welcome at the start of my PhD in Tilburg and I could always come to you when I needed professional, practical or personal advice. I really enjoyed our time together as PhD students and although we are now living far apart, I hope we will stay in close contact in the future.

I am in the lucky position to be surrounded by a great family. To the extent that I had any spare time I spent a lot of time together with my brother. Yorick, you were always there when I needed you. In terms of my research your assistance with IT-related problems was tremendous. I am thankful that you will be my paranymp. Without the continuous support and sacrifice of my mother, Yorick and I could have never received the education that we did. Mama, you always show an interest in what I am doing and your encouragement helped me in writing this dissertation. I am grateful that you have been there and always will be there for me. I know that you would have loved to see that your husband and our father could experience the milestones that we reach in life. I am sure he is now watching over us.

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CONTENTS

CHAPTER 1: GENERAL INTRODUCTION	1
PROBLEM STATEMENT.....	1
RESEARCH QUESTIONS	3
KEY FINDINGS AND DISSERTATION STRUCTURE	4
 CHAPTER 2: ORGANIZATIONAL IDENTIFICATION AND CULTURAL DIFFERENCES: EXPLAINING EMPLOYEE ATTITUDES AND BEHAVIORAL INTENTIONS DURING POSTMERGER INTEGRATION	 7
ABSTRACT	7
INTRODUCTION	8
ORGANIZATIONAL CULTURE AND ORGANIZATIONAL IDENTITY	9
ORGANIZATIONAL CULTURE AND IDENTIFICATION IN AN M&A CONTEXT	11
DATA AND METHODS	14
<i>Research Setting</i>	14
<i>Sample and Data Collection Procedure</i>	14
<i>Variables</i>	15
<i>Analyses</i>	16
FINDINGS	16
DISCUSSION AND CONCLUSIONS	24
APPENDIX	27
 CHAPTER 3: THE RELATIONSHIP BETWEEN PROFESSIONAL AND ORGANIZATIONAL IDENTIFICATION DURING POSTMERGER INTEGRATION	 29
ABSTRACT	29
INTRODUCTION	30
THEORETICAL BACKGROUND.....	32
<i>The Relation between Organizational and Professional Identification</i>	33
<i>Fundamental Structural Change</i>	34
HYPOTHESIS DEVELOPMENT	35
METHODS	40
<i>Research Setting</i>	40

<i>Sample and Data Collection Procedure</i>	41
<i>Variables</i>	41
<i>Analyses</i>	42
RESULTS	43
<i>Reliability and Validity</i>	43
<i>Testing the Hypotheses</i>	43
<i>Robustness Checks</i>	50
DISCUSSION AND CONCLUSIONS	50
<i>Theoretical and Managerial Implications</i>	50
<i>Limitations of the Study</i>	52
<i>Suggestions for Future Research</i>	52
APPENDIX	54

CHAPTER 4: PRODUCTION, CONTEXTUALIZATION, AND CONSUMPTION OF NORMS OF JUSTICE IN POSTMERGER INTEGRATION: A LONGITUDINAL ANALYSIS OF THE MERGER BETWEEN AIR FRANCE AND KLM55

ABSTRACT	55
INTRODUCTION.....	56
A SENSEMAKING PERSPECTIVE ON DISTRIBUTIVE JUSTICE IN M&AS	58
<i>Justice in M&As</i>	58
<i>Norms of Distributive Justice as Social Constructions</i>	58
<i>A Sensemaking Perspective</i>	60
THE CASE AND METHODOLOGY	61
<i>Empirical Material</i>	62
<i>Analysis</i>	63
MAKING SENSE OF JUSTICE IN POSTMERGER INTEGRATION	66
<i>Production: The Management of Meaning at the Top</i>	66
<i>Contextualization: Sensemaking and Sensegiving in Business Units</i>	67
<i>Consumption: Sensemaking and Reactions among Personnel</i>	68
<i>Reproduction: Generation of New Meanings to Push Integration Forward</i>	70
<i>Recontextualization: New Interpretations in the Business Units</i>	71
<i>Reconsumption: New Patterns of Sensemaking among Personnel</i>	72
DISCUSSION: PRODUCTION-CONTEXTUALIZATION-CONSUMPTION DYNAMICS.....	72
CONCLUSION	76

CHAPTER 5: UNDERSTANDING M&A PROCESSES: HOW TO MANAGE ORGANIZATIONAL IDENTITY CHANGE	81
ABSTRACT	81
INTRODUCTION.....	82
ORGANIZATIONAL IDENTITY RESPONSES DURING POSTMERGER INTEGRATION	83
<i>Organizational Identity in M&As</i>	84
<i>Identity Process Theory</i>	86
<i>A Sensemaking Perspective</i>	87
METHODS	89
<i>Sample and Data Collection Procedure</i>	89
<i>Analysis</i>	92
FINDINGS	92
<i>Identity Paradox</i>	94
<i>Identity Bolstering</i>	95
<i>Identity Questioning</i>	97
<i>Construction of an AF-KLM Identity</i>	99
<i>Identity Shedding</i>	99
<i>Moving towards the Air France-KLM Identity</i>	100
DISCUSSION	102
CONCLUSION	105
APPENDIX.....	108
CHAPTER 6: GENERAL CONCLUSION	109
MAJOR CONTRIBUTIONS	109
LIMITATIONS AND SUGGESIONS FOR FUTURE RESEARCH	112
CONCLUSION	113
REFERENCES	115

CHAPTER 1

GENERAL INTRODUCTION

This introductory chapter starts with the formulation of the overarching problem statement. Then, the main research questions of this dissertation are discussed. Finally, I outline some of the key findings and present the structure of the chapters.

Problem Statement

Merger and acquisition (M&A) activity over the last decade has run at unprecedented levels (Barkema & Schijven, 2008). M&As require significant resource commitments, and can dictate the fortunes of the companies involved for years to come. However, as several academics and practitioners have indicated, most M&As fail, at least to some extent (Dyer, Kale & Singh, 2004; Goold & Campbell, 1998). Since traditional financial and strategic perspectives face difficulties in explaining these disappointing outcomes (for a comprehensive overview see King, Dalton, Daily & Covin, 2004), scholars have increasingly begun to focus on less tangible social, cultural and psychological factors related to the integration of merged and acquired firms (Cartwright & Cooper, 1993). In this dissertation I focus on two of such factors, organizational identification and organizational justice, which arguably are of particular importance for the success of postmerger integration.

The shift in attention in explaining M&A failure coincides with an increasing influence of the social identity approach in the organizational literature (Ashforth & Mael, 1989; Haslam, 2004; Hogg & Terry, 2000). Organizational identification has been defined by Dutton, Dukerich and Harquail (1994: 239) as “the degree to which a member defines himself or herself by the same attributes that he or she believes define the organization”. There are several reasons why organizational identification is an important construct in the postmerger integration phase of organizations. First of all, Albert and Whetten (1985) argue that in times of considerable change (e.g., because of an M&A) elements of organizational identity become particularly salient. Furthermore, organizational identification influences employees’ willingness to strive for organizational goals, to stay with the organization, to spread a positive image of the organization and to cooperate with other organizational members (Bartels, Douwes, De Jong & Pruyn, 2006).

Haslam, Postmes and Ellemers (2003: 365) argue that without organizational identification, “there can be no effective organizational communication, no heedful interrelating, no meaningful planning, no leadership”. Especially in times of considerable organizational restructuring (like in postmerger integration), these aspects are of crucial importance.

Scholars have also noted the importance of justice judgements during postmerger integration processes (Haspeslagh & Jemison, 1991; Citera & Rentsch, 1993; Novelli, Kirkman & Shapiro, 1995). Justice can be perceived as the ultimate lower-bound criterion of judgment in all kinds of inter-organizational relationships (Ring & Van de Ven, 1994). In other words, partners consider at least whether the relation is fair, and the answer to that question determines the fate of the relationship. Building on that insight, M&A scholars have examined ‘justice,’ ‘fairness,’ ‘equality,’ and ‘equity’ from multiple perspectives (Hambrick & Cannella, 1993, Very, Lubatkin, Calory & Veiga, 1997; Meyer, 2001; Zaheer, Schomaker & Genc, 2003; Lipponen, Oikkonen & Moilanen, 2004; Meyer & Altenborg, 2007). On the basis of fairness heuristic theory (Lind, Kulik, Ambrose & De Vera Park, 1993), justice scholars argue that people especially need fairness when they are reminded about aspects of their lives that make them uncertain, such as changes in the organization they work for.

Identification targets and justice perceptions are likely to change during postmerger integration processes, implying that studying M&As at a single point in time may not be sufficient. Unfortunately, previous studies have all but neglected the temporal aspects of M&As and systematic analyses of social psychological processes using a longitudinal approach have rarely been done (Amiot, Terry & Callan, 2007; Fugate, Kinicki & Scheck, 2002; Gleibs, Mummendey & Noack, 2008 are notable exceptions). In fact, there have been several calls for acknowledging the time-varying nature of postmerger integration processes (Haspeslagh & Jemison, 1991; Seo & Hill, 2005; Cartwright & Schoenberg, 2006; Gleibs et al., 2008).

With respect to organizational identification, we should pay attention to identity dynamics unfolding in organizations involved in M&As (Anteby & Wrzesniewski, 2007). Despite the crucial role of identification in organizational life, few studies have investigated identification longitudinally (Fugate et al., 2002). However, as several scholars suggest, M&As may affect changes in organizational identities and identifications over time (Russo, 1998; Dukerich, Golden & Shortell, 2002). Corley (2004: 1173) further indicates that “without consideration of the temporal aspects of identity formation, change, and maintenance, future identity research may

miss out on critical insights and possibly even fail to remain relevant to the very organizations it intends to aid”.

Empirical studies of justice in organizational life – mostly experimental by design – have also flourished (Greenberg & Cropanzano, 2001). But again, very few studies have investigated justice longitudinally (Ambrose & Cropanzano, 2003), despite the dynamic nature of this construct. Several studies, for example, demonstrate that it is difficult to maintain consistent images of ‘equity’ or to hold on to a perfect ‘balance of power’ in the long run (Hambrick & Cannella, 1993; Zaheer et al., 2003; Meyer & Altenborg, 2007). Taken together, I formulate the overarching problem statement in this dissertation as follows:

What role do perceptions of justice and identity play in postmerger integration processes?

Research Questions

In answering the above described problem statement, I will address several research questions in this dissertation. Recently, the fact that work situations may offer multiple targets for employee identification has received increasing attention (Hillman, Nicholson & Shropshire, 2008). For instance, an employee may identify not only with the organization as a whole, but also with his or her own work group or division (Ashforth & Johnson, 2001), or with his or her profession (Ashforth, Harrison & Corley, 2008). The situation becomes even more complicated when organizations go through fundamental structural changes, such as in postmerger integration times. In this situation, will “old” identifications compete with or complement identification with the “new” entity? And will organizational structural changes evoke immediate shifts in identification, or will these shifts take place more gradually over time? The issue of multiple identification in situations of structural organizational change evokes a new set of questions, of which some of them will be addressed in this dissertation.

Second, an underlying assumption in most studies dealing with identity and identification is that the organization is a stable target for identification (Kuhn & Nelson, 2002). Applied to an M&A context, an important stream in the literature assumes that the ‘old’ organization continues to exist as an identification target. However, both views are too simplistic since in times of considerable change the nature of the organizations involved is far from fixed. Even if the pre-merger organizations continue to exist as entities within the post-merger organization, the

organizational identities will change. Unfortunately, the organizational identity literature fails to provide a proper empirical description of how employees experience and respond to a threat to their organizational identity. We also know little about the consequences of different forms of identity change. In order to understand this we may need to look much more in detail at how individual employees make sense of their merger experiences than has been the case in most previous studies. This leads to the following fundamental research questions: how does the experience of an M&A impact on the organizational identity perceptions of employees? Can we distinguish different identity responses, and if so, can we understand the factors leading employees to display a particular identity response? Adopting a longitudinal perspective, can we distinguish different phases in coping strategies? On the basis of our study, can we make any conjectures concerning the effects of different identity responses on the process of postmerger integration?

Finally, the justice literature has predominantly focused on perceptions of justice and their behavioral and organizational implications (Citera & Rentsch, 1993; Novelli et al., 1995). However, there is a paucity of knowledge about a more fundamental question: how exactly are justice norms created and implemented in such change processes? In this dissertation we develop a theoretical model that elucidates the crucial role of norms of distributive justice in times of postmerger integration. Our analysis reveals how production, contextualization and consumption of norms of justice are an inherent part of post-merger integration dynamics. The norms and their interpretations are not only responses to anticipated and experienced postmerger issues but also means to push integration even further.

Key Findings and Dissertation Structure

Data collection for my dissertation was performed by participating in a study that was conducted at two merged firms from different European countries: Air France and KLM¹. Both companies operate in the airline industry and Air France was approximately twice the size of KLM at the beginning of the merger. The merger was announced at the end of 2003 and both companies officially merged in May 2004. The study started shortly after the completion of the merger and covers a period of approximately three and a half years. Data was collected at Time 1

¹ Legally, it was a friendly acquisition of KLM by Air France. However, the Combination (the word used in official internal communications) has been managed as a merger.

(November, 2004) and then every six months ending at Time 6 (February, 2008)². We examined the dynamics of justice and identity within this particular time frame. It is important to illustrate the lessons which can be drawn from this successful merger, despite the in advance mixed expectations regarding the outcomes of the combination of these two ‘national champions’ coming from two different national cultures.

Both theoretically and empirically, I take advantage of the unique nature of our study. First of all, we have a (quasi-) longitudinal dataset. Secondly, both qualitative and quantitative data are collected. In total, we collected 6415 questionnaires and conducted 682 interviews at the two merged companies.³ Finally, we worked together with another research team. One (French) research team collected data at the acquiring firm and one (Dutch) research team collected data at the acquired firm. After collecting and analyzing data in each round, both research teams came together and discussed the findings. In addition, we had several feedback meetings with both companies. This resulted in a more coherent and precise understanding of what is really going on in the postmerger integration phase of organizations.

Chapter 2 sets the stage for the rest of this dissertation by providing new insights into how organizational identity distinguishes itself from organizational culture. Cultural differences and organizational identification have so far been mostly studied in isolation of each other, or at the other extreme, the concepts have been used interchangeably. Therefore, we first stand back and consider the similarities, differences and relationships between both concepts, in an M&A context. Secondly, we empirically gauge the effects of cultural differences and organizational identification on human aspects of postmerger integration. Results suggest that organizational culture and organizational identification differentially relate to three key aspects of postmerger human integration: employee satisfaction with the merger, perceived fairness of the merger, and the willingness to cooperate in the merger.

Chapter 3 builds on social identity theory to examine more closely the relationships between different identification targets. More specifically, we examine the effect of professional

² The time period between Time 5 and Time 6 was deliberately longer to enable us to gauge the effects of an important phase of structural integration.

³ Given the total number of employees in both companies this sample is not representative. However, we collected data from a range of occupational groups and hierarchical levels to build our theoretical models.

identification on employee identification with the postmerger organization. Results demonstrate that if employees display strong professional identification, they identify more with the postmerger entity. However, this relationship is affected by a variety of variables. First, being an employee of the acquiring organization results in a more positive relationship between professional and organizational identification. Furthermore, members of a highly integrated division display a less positive relationship between professional and organizational identification. Finally, we show how the relation between professional identification and employee identification with the postmerger organization evolves over time.

Whereas chapter 2 and 3 are based on quantitative data and analyses, chapter 4 and 5 use qualitative approaches. This qualitative approach is particularly important if we want to explain aspects of postmerger integration that are not easily quantified, like substantive changes in employees' perceptions. In Chapter 4 we organized our data by looking at the roles played by top management, middle management and lower management and employees, and analyzed how norms of justice changed through processes taking place at these three levels, and through feedbacks loops between the levels. Our analysis reveals that the purposeful production of norms of justice by top managers consists of sensegiving and sensehiding of justice connotations. These norms of justice are subsequently applied by middle management, and in the integration dynamics inherent to postmerger situations this may take different forms, of which we describe three: exemplification, quantification and framebreaking. Finally, we show that acceptance of merger-related norms of justice by employees is not self-evident, and consumption of norms set by top management and contextualized by middle management may take the form of internalization, distancing, and resistance. Both contextualization and consumption may feed back into top management enactment of norms of justice.

In the fifth chapter we investigate the identity responses of KLM employees confronted with the acquisition of KLM by Air France, and explore the sensemaking processes through which these responses are formed. By applying an interpretive perspective on organizational identity we develop a more generalized dynamic theory of organizational identity responses to strategic change.

Chapter 6, the final chapter, provides general conclusions. In addition, the main contributions and implications of the different papers are discussed. Finally, this chapter discusses the main limitations and suggests future research directions.

ORGANIZATIONAL IDENTIFICATION AND CULTURAL DIFFERENCES: EXPLAINING EMPLOYEE ATTITUDES AND BEHAVIORAL INTENTIONS DURING POSTMERGER INTEGRATION

ABSTRACT

Postmerger integration processes have been studied from the perspectives of organizational identity and organizational culture, but these two perspectives have rarely been integrated. We argue that organizational identification and organizational culture differences give rise to two different sets of individual responses that are both important, but for different types of outcomes. An empirical analysis of a large-scale merger between two service sector companies shows that identification with the post-merger organization positively relates to both behavioral intentions and key attitudinal variables. In contrast, our results show that perceived organizational culture differences are negatively related to attitudinal variables. The effect of perceptions of cultural differences on behavioral intentions is mediated by organizational identification.

¹ This chapter is the result of joint work with Niels Noorderhaven and Aukje Leufkens. It appeared in 2009 in *Advances in Mergers and Acquisitions*, 8: 19-42.

INTRODUCTION

Merger and acquisition (M&A) activity over the last decade has run at unprecedented levels. M&As require significant resource commitments, and can dictate the fortunes of the companies involved for years to come. In other words, they are essential to the performance and survival of organizations. However, as several scholars have indicated, most M&As fail, at least to some extent (Dyer, Kale & Singh, 2004; Goold & Campbell, 1998; Mottola, Bachman, Gaertner & Dovidio, 1997). Traditional financial and strategic perspectives focusing on structural factors at the time the M&A takes place fall short in explaining these disappointing outcomes (King, Dalton, Daily & Covin, 2004). Therefore scholars increasingly focus on the crucially important postmerger integration process (Pablo, 1994), and specifically on less tangible factors related to the integration of merged and acquired firms (Cartwright & Cooper, 1993).

Over the last decades, the literature steers towards investigating human factors during postmerger integration processes (Cartwright & Cooper, 1993; Cartwright & McCarthy, 2005). Birkinshaw, Bresman and Håkanson (2000), for example, conclude that ‘human integration’, concerned primarily with generating employee acceptance of and cooperation with the merger or acquisition, is an important determinant of overall success.

Two important foci in studies of human factors in M&As are the effects of cultural differences and the effects of identification with the pre-merger and post-merger entities on integration outcomes (Cartwright, 2005; Cartwright & Cooper, 1993; Zaheer, Schomaker & Genc, 2003).

Issues of organizational identity (Ullrich & Van Dick, 2007) and organizational culture (Teerinkangas, 2007) are important in the postmerger integration phase of organizations. Both researchers and practitioners frequently refer to cultural differences as causes of disappointing outcomes in domestic and international cooperation. In particular differences in organizational cultures are indicated to be the root cause of many problems in M&A integration (Zaheer et al., 2003). On the other hand, Very, Lubatkin and Calori (1996) find that cultural differences may also create perceptions of attraction in international M&As. Teerikangas (2007) concludes that the evidence for the effects of cultural differences on M&A performance remains inconclusive.

Identity is viewed by Pratt (2000) as an end result of identification. Identification with an organization has been demonstrated to have positive effects on a multitude of organizational outcomes (Ashforth & Mael, 1989; Bartels, Douwes, De Jong & Pruyn, 2006; Dutton, Dukerich

& Harquail, 1994; Elsbach, 1999; Haslam, 2004; Haslam, Postmes & Ellemers, 2003). However, a merger or acquisition can threaten employees' identification with the 'old' (premerger) organization, and consequently loyalty, commitment and willingness to cooperate in the M&A may suffer (Ullrich & Van Dick, 2007).

In order to increase our understanding of postmerger integration processes, and ultimately M&A outcomes, it is important to look at the effects of both cultural differences and organizational identification. Unfortunately, cultural differences and organizational identification have so far been mostly studied in isolation of each other, or at the other extreme, the concepts have been used interchangeably. Therefore, the first aim of this paper is to stand back and consider the similarities, differences and relationships between both concepts, in an M&A context. Secondly, we will empirically gauge the effects of cultural differences and organizational identification on human aspects of postmerger integration. Our empirical results suggest that organizational culture and organizational identification differentially relate to three key aspects of postmerger human integration: employee satisfaction with the merger, perceived fairness of the merger, and the willingness to cooperate in the merger.

ORGANIZATIONAL CULTURE AND ORGANIZATIONAL IDENTITY

Comparisons of organizational culture and organizational identity have so far mainly focused at the conceptual level (Ravasi & Schultz, 2006): what are organizational culture and identity, and to what extent can they be considered as different concepts? Organizational culture is defined by Schein (1992, p. 12) as "a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems." The most cited definition of organizational identity is that of Albert and Whetten (1985, p. 256): "Organizational identity involves those aspects of the organization that meet the criteria of self-referentially claimed central character, distinctiveness, and temporal continuity." Hence, organizational identity in its definition is linked to organizational characteristics that are central, distinctive and enduring. In the context of M&As both organizational culture and organizational identity are interesting because an M&A is likely to disrupt the way in which employees relate to both the identities and the cultures of the organizations involved.

Both organizational culture and organizational identity can be examined from different perspectives. Scholars adopting a core essence/social actor perspective view cultures as relatively stable entities in which differences are often major sources of incompatibilities and conflicts (Stahl & Mendenhall, 2005). In a similar way, an organization's identity can be seen as a feature or property that somehow resides in, and is attached to, the focal organization (Corley, Harquail, Pratt, Glynn, Fiol & Hatch, 2006). According to this perspective, the relationship between identity and culture is clear: a particular culture may or may not be part of the identity of an organization (Albert, 1998; Ravasi & Schultz, 2006). However, this view has been criticized by scholars who claim that cultures, cultural differences and identities are above all social constructions (Gertsen, S  derberg & Torp, 1998; S  derberg & Vaara, 2003). From this perspective, one should focus attention on the processes through which notions of 'us' and 'them' are developed to better understand the sources of conflicts in postmerger integration (Hogg & Terry, 2000). Corley et al. (2006) argue that organizational culture and organizational identity should be treated as ongoing social constructions that take place among organizational members. According to Ravasi and Schulz (2006), both perspectives have converged in advancing the idea that organizational culture supplies organizational members with cues for making sense what the identity of the organization is about.

In prior research, the constructs organizational culture and organizational identity have sometimes been used interchangeably, as if they are conceptually and empirically similar. Elsbach and Kramer (1996, p. 442, italics added), for example, define an organization's identity as reflecting "its central and distinguishing attributes, including its core values, *organizational culture*, modes of performance, and products". In Brown and Gioia's (2002, p. 405, italics added) in-depth case study a dotcom president discussed organizational identity tensions as follows: "We're managing this business within a business and it's difficult. The leaders of the offline business... resent our freedom to create *our own culture*... They don't understand us."

However, despite the fact that organizational culture and organizational identity are closely related (Dutton & Dukerich, 1991), there are important differences between both constructs. Whereas organizational culture refers to 'how we do things', organizational identity refers to 'who we are' (Brown & Gioia, 2002; Zaheer et al., 2003). Perceptions of an organization's identity are formed by employees on a more conscious level than those of an organization's culture (Hatch & Schultz, 2000), therefore, according to Cartwright and Cooper (1993),

organizational identity is more explicit. In a similar way, Fiol, Hatch and Golden-Biddle (1998) state that identity is more conscious and reflexive. In contrast, cultural values are more deeply ingrained into the self and are often situated at an unconscious level.

In addition, the identity of the organization reflects the relationship between the employee and the organization and can therefore be characterized as relational. Organizational culture, on the other hand, tends to be more tacit and autonomous in comparison to organizational identity (Ravasi & Schultz, 2006). Organizational culture encompasses the beliefs, values and practices that the employee uses to define the organization (Cartwright, 2005). These beliefs, values and practices are taken-for-granted cultural assumptions which require less self-reflection than an organizational identity (Hatch & Schultz, 2000; Ravasi & Schultz, 2006).

According to Hatch and Schulz (1997, p. 357) culture needs to be seen “as a context within which interpretations of organizational identity are formed”. Hence, organizational identity can be seen as grounded in and justified by cultural values and assumptions. In a similar way, Ravasi and Schulz (2006) argue that organizational members draw on organizational culture for making sense of their organizational identity. Reicher (2004) argues that identity targets (e.g., organizational identity) are intensely personal and important for an individual. At the same time, they cannot be completely reduced to the individual psyche but incorporate cultural and historical components. Moingeon and Ramanantsoa (1997) go one step further by positing that identity is a conceptual advance over culture since it allows scholars to move past a level of description to arrive at a level of explanation.

Below we will build on these contributions in linking organizational culture and identity to M&A-related employee attitudes and behavioral intentions.

ORGANIZATIONAL CULTURE AND IDENTIFICATION IN AN M&A CONTEXT

In the context of M&As both organizational culture and organizational identity are interesting in their effects on perceptions of cultural differences between the organizations involved in a merger, and on the identification of employees with the merged organization. As stated before, an M&A is likely to disrupt organizational members' identification with the 'old' premerger organization, and substitutes the postmerger organization as an alternative target for identification (Bartels et al., 2006; Van Dick, Wagner & Lemmer, 2004; Van Knippenberg & Van Leeuwen, 2001; Van Leeuwen, Van Knippenberg & Ellemers, 2003). Moreover, employees are likely to

perceive cultural differences between the companies engaged in the M&A.

In our study we focus on the consequences of identification with the postmerger entity and perceptions of organizational cultural differences on employee satisfaction with the M&A, perceived fairness of the M&A and willingness to cooperate in the M&A. These constructs are important factors in achieving postmerger success. Covin, Sightler, Kolenko and Tudor (1996) found that the level of individual satisfaction with a merger is strongly associated with several other key attitudinal variables, as well as with M&A-related factors like satisfaction with supervision, communication with top management and turnover intention.

Ring and Van de Ven (1994) argue that justice plays a central role in inter-organizational relationships such as mergers and acquisitions. They state that justice is as important as to be the ultimate lower-bound criterion of judgment in all kinds of inter-organizational cooperative relationships, including M&As. In inefficient cooperative relationships, partners consider at least whether the relation is fair and the answer to that question determines the fate of the relationship. Tyler and De Cremer (2005) and Ullrich and Van Dick (2007) also highlight the importance of ‘fairness’ during organizational change.

Finally, as Birkinshaw, Bresman & Håkanson (2000) argue, employee cooperation is a major factor influencing the success of an M&A. Actual cooperative behaviors are difficult to measure in a large-scale study. But intentions have been shown to be good predictors of actual behavior (Ajzen, 1991; De Cannière, De Pelsmacker & Geuens, 2009). Therefore we regard self-expressed willingness to cooperate in the merger to be a good proxy for M&A-related employee behaviors.

Thus, we focus on three aspects of human postmerger integration processes: satisfaction with the merger, perceived fairness of the merger, and willingness to cooperate in the merger. The first two of these can be characterized as attitudes or general dispositions with regard to the merger. The third clearly is a behavioral intention. Both attitudes and behavioral intentions are related to actual behavior, but behavioral intentions more closely than attitudes (Kim & Hunter, 1993). Above we have reasoned that identification with an organization is more conscious and reflexive than perceptions of organizational cultural differences. Building on that, we think it is likely that organizational identification, having less of a taken-for-granted nature, is primarily linked to behavioral intentions, and perceived cultural differences to attitudes towards the merger (satisfaction and perceived fairness). Reicher (2004) emphasizes that a key tenet in social identity theory is that individuals have a range of different social identities and they *behave* in terms of a

particular social identity. Dutton and Dukerich (1991, p. 546, italics added) also state that “identity provides a set of skills and a way of using and evaluating those skills that produce characteristic ways of *doing* things”. Whereas the set of basic assumptions and values which constitute an organization’s culture may govern the behaviors of organizational members subconsciously, an organizational identity is more self-focused and allows employees to act in a specific way (Fiol et al., 1998). Given the positive effects of organizational identity discussed in the literature (Riketta, 2005; Terry, 2001; Terry, 2003; Van Dick, 2004; Van Dick, Ullrich & Tissington, 2006; Van Knippenberg, Van Knippenberg, Monden & de Lima, 2002), we also hypothesize a positive effect on M&A-related behavioral intentions of identification with the merged entity:

Hypothesis 1. Identification with the post-merger organization is positively related to the willingness to cooperate in the merger.

As Cartwright and Cooper (1995) argue, different types of organizational cultures nurture particular values and attitudes. Along the same line of reasoning, perceived cultural differences should be expected to be negatively related to positive attitudes towards the merger, like satisfaction with and perceived fairness of the M&A. Hence, we formulate the following hypothesis:

Hypothesis 2. Perceived cultural differences are negatively related to satisfaction with and perceived fairness of the merger.

In our discussion of organizational culture and organizational identity we related that several authors see organizational culture as the context within which organizational identity interpretations are formed (Hatch & Schultz, 1997). This link between organizational culture and identity constructions was empirically explored by Ravasi and Schulz (2006). They show how at key junctures in the history of the company Bang & Olufsen, management and employees draw on the organizational culture to construct new interpretations of organizational identity. These dynamics suggest that although we do not expect a direct effect of perceived organizational cultural differences on behavioral intentions, these cultural differences may very well influence

organizational identification, and thus, indirectly, behavioral intentions. This leads us to our third hypothesis:

Hypothesis 3. Perceived cultural differences negatively influence willingness to cooperate in the merger, mediated by identification with the post-merger organization.

DATA AND METHODS

Research Setting

To examine the differential effects that organizational culture differences and organizational identification have on key attitudinal and behavioral variables in the postmerger integration phase of organizations, we conducted a study at two merged firms from different European countries. Both companies operate in the same service sector and one company is approximately twice the size of the other. The merger was announced at the end of 2003 and both companies officially merged in May 2004.² The present study started shortly after the completion of the merger and covers a period of approximately four years. Data was collected at Time 1 (November, 2004) and then every six months ending at Time 5 (February, 2007).

The unit of analysis in this study is the individual employee's perception. The main interest of the part of the study we report on here is to examine the different contributions of organizational identification and organizational culture differences on employees' satisfaction with the merger, perceived fairness of the merger and willingness to cooperate in the merger.

Sample and Data Collection Procedure

To avoid problems of subject attrition and panel conditioning a repeated cross-sectional survey design was chosen (rather than a panel study). The stratified samples represent employees from a variety of hierarchical levels and functional departments. Each employee received a 7 page questionnaire, accompanied with a cover letter from the CEO of its company of origin and with a letter from the research team. These letters outlined the nature of the study, asked employees to cooperate with the study and ensured confidentiality of the survey responses. In total, 5340 questionnaires have been collected. Response rates are around 30 % for both companies

² Legally, it was a friendly acquisition of the smaller company by the larger company. However, the 'Combination' (official indication of the merger) has been managed as a merger.

throughout the five periods.

Variables

The Appendix reports the multi-item survey constructs used in this study together with their factor loadings and Cronbach's alpha for scale reliability.

Organizational (postmerger) identification is measured with five items derived from Mael and Ashforth's (1992) organizational identification scale. These items were rated on a 1 (completely disagree) to 5 (completely agree) Likert-type scale. As can be seen from Appendix A, Cronbach's alpha for the organizational identification scale equals 0.85, which indicates good scale reliability.

Organizational cultural difference is measured by taking the sum of absolute differences between 7 items related to working practices of both companies. Cronbach's α (0.69) for the organizational cultural difference scale can be considered satisfactory. However, we can also argue that this is a formative, rather than a reflective scale, in which case Cronbach's alpha is not a relevant measure (Diamantopoulos & Siguaw, 2006).

The attitudinal dependent variables in this study, *Employee satisfaction with the merger* and *Perceived fairness of the merger* are measured by three items. For both of these constructs, scale reliability is high (Cronbach's α equals 0.81 and 0.75, respectively).

Willingness to cooperate is also measured by three items. As can be seen from Appendix A, scale reliability is reasonable (Cronbach's α equals 0.64). The lower reliability of this scale could be caused by the fact that one of the items was reversely formulated.

Finally, several control variables are included in the model. *Company* is a dummy variable for distinguishing the two merged organizations (0 = 'acquiring' company and 1 = 'acquired' company). *Gender* is included as a dummy variable (0 = male and 1 = female) because the gender composition of some of the occupational groups varied considerably, and we wanted to avoid spurious effects. *Age* and *Tenure*, both expressed in years, are two variables that control for individual effects. To operationalize the control variable *Impact on the job*, employees were asked to rate the following statement on a 1 to 5 Likert-type scale: "My work has changed since the (company A-B) combination". The hierarchical level within the organization is measured by one question. Respondents were asked whether they have any subordinates, resulting in the variable *Manager*. The variable *Round* (expressed in dummy variables) controls for the different

time periods in which the data was collected (the first round being the reference category). To assess the *Occupational group* in which an employee works, a single question was asked: “Please indicate your occupational group”. Respondents could choose between different alternatives that were provided based on consultation with both companies. ‘Corporate staff’ is used as a base category against which the other occupational groups are assessed.

Analyses

Since our dependent and independent variables were measured with the same questionnaire, we first conduct a confirmatory factor analysis using AMOS 6.0 (Byrne, 2001) to check for convergent and discriminant validity of the different constructs. Subsequently, we perform hierarchical multiple regressions to examine employee satisfaction with the merger, perceived fairness of the merger and willingness to cooperate in the merger.

Unfortunately, many of our cases had missing values, in particular on the questions regarding the culture of the ‘acquiring’ and of the ‘acquired’ firm. We deleted all cases that had more than 3 values missing on a set of 21 variables: 7 culture items, 5 identity items, and 9 items measuring employee satisfaction with the merger, perceived fairness of the merger and willingness to cooperate. We also deleted cases with more than one value missing on the items measuring organizational identification, satisfaction with the merger, perceived fairness of the merger and willingness to cooperate. This left us with 4394 cases, 2344 from the ‘acquiring’ company and 2050 from the ‘acquired’ company. In the next step, we substituted EM estimations for any remaining missing values on these 21 variables. With the resulting dataset we ran all our analyses.

FINDINGS

All multi-item constructs display satisfactory levels of reliability as can be seen from the Cronbach’s alphas in Appendix A, ranging from 0.64 to 0.85. Convergent validity is examined by looking at the item factor loadings (see Appendix A). Most of the standardized item loadings (λ) for the multi-item constructs are well above the cut-off value of 0.50 (Hildebrandt, 1987), supporting convergent validity.³ To assess discriminant validity we performed a series of chi-

³ We performed robustness checks by deleting items with item loadings below 0.50. Since our regression results did not change, we only report results based on all items.

square difference tests on the factor correlations. We constrained the correlation between pairs of constructs to 1.0 and then performed a chi-square difference test on the values obtained for the unconstrained and constrained model. The significant differences in chi-square indicate that discriminate validity is achieved in all cases. Moreover, the differences in goodness-of-fit and comparative fit indexes between the constrained and unconstrained models are moderately large, again providing evidence for sufficient discriminant validity. Means, standard deviations and construct correlations are presented in Table 1.

Employee satisfaction with the merger and perceived fairness of the merger are slightly above the midpoint of a five-point scale (mean = 3.23 and mean = 3.17, respectively). Employees in both companies are highly willing to cooperate with the merger (mean = 4.20). Organizational (postmerger) identification has a positive mean score of 3.32.

First of all, we examined the relationship between merger satisfaction, perceived fairness, willingness to cooperate and the control variables. From the results in Tables 2, 3 and 4, we can conclude that male employees are more satisfied with the merger than female employees, holding all the other variables constant. Furthermore, the longer the tenure of employees, the less satisfied they are with the merger and the less fair they perceive the merger. The variable *Company* has a negative sign which means that employees from the acquiring company are more satisfied with the merger, perceive the merger as more fair and are more willing to cooperate in the merger compared with employees from the acquired company. In Table 3 we can see that the older employees are, the more they perceive the merger as being fair, holding all the other variables constant. We also observe that the higher the hierarchical level of employees, the more satisfied they are with the merger, the more they perceive the merger as being fair and the more willing they are to cooperate in the merger. Interestingly, we find a significant positive direct effect of the impact on the job that the merger brings about on employee satisfaction with the merger. Apparently, employees from both companies value an impact on their job through the merger. One reason for this finding could be that employees tend to feel more engaged through this impact and are therefore more satisfied with the merger. On the other hand, we can see in Table 3 that employees experiencing a high impact on their job as a result of the merger perceive the merger as less fair. Finally, we see that employees from almost all occupational groups react more negatively to the merger compared to corporate staff members.

TABLE 1
Descriptive Statistics and Correlations Matrix

Variables	Mean	S.D.	1	2	3	4	5	6	7
1. Employee satisfaction with the merger	3.23	0.93							
2. Fairness of the merger	3.17	0.84	.54**						
3. Willingness to cooperate	4.20	0.67	.43**	.35**					
4. Organizational (postmerger) identification	3.32	0.88	.36**	.34**	.29**				
5. Cultural difference	0.86	0.52	-.11**	-.16**	-.02	-.13**			
6. Company	1.47	0.50	-.05**	-.08**	-.10**	-.19**	.04*		
7. Age	40.21	9.06	-.03*	.06**	.05**	.11**	.09**	-.10	
8. Gender	0.40	0.49	-.04**	-.02	-.02	-.05**	-.07**	-.07**	-.24**
9. Tenure	14.12	9.66	-.06**	.03*	.03*	.11**	.07**	-.11**	.83**
10. Managers	0.36	0.48	.09**	.10**	.09**	.09**	.07**	-.03*	.20**
11. Impact on the job	2.84	1.41	.20**	-.00	.05**	.07**	.03*	.12**	-.03
12. Occupational group = engineering	0.15	0.35	-.08**	-.06**	-.01	-.02	-.05**	.04*	.11**
13. Occupational group = peripheral service agents	0.10	0.30	-.06**	-.02	-.11**	-.03*	-.07**	-.04*	-.18**
14. Occupational group = in-house service agents	0.07	0.26	-.07**	-.06**	-.03*	-.02	-.03*	-.07**	-.15**
15. Occupational group = sales offices	0.16	0.37	.06**	.05**	.03*	.09**	-.04*	.03	-.11**
16. Occupational group = peripheral operations	0.29	0.45	.07**	.04*	.11**	-.03*	.07**	.02	.13**
17. Occupational group = secondary business unit	0.10	0.30	-.02	.02	-.03*	-.02	.10**	.04**	.08**
18. Occupational group = engineering	0.09	0.29	.05**	.00	-.02	.03*	.02	.02	.03
19. Round	3.22	1.30	.06**	.04**	.00	.10**	.03	-.09**	.07**

N = 4394; * : $p < 0.05$, ** : $p < 0.01$

TABLE 1 CONTINUED
Descriptive Statistics and Correlations Matrix

Variables	8	9	10	11	12	13	14	15	16	17	18
1. Employee satisfaction with the merger											
2. Fairness of the merger											
3. Willingness to cooperate											
4. Organizational (postmerger) identification											
5. Cultural difference											
6. Company											
7. Age											
8. Gender											
9. Tenure	-.23**										
10. Managers	-.15**	.17**									
11. Impact on the job	.03*	-.07**	.03								
12. Occupational group = engineering	-.26**	.18**	-.00	-.14**							
13. Occupational group = peripheral service agents	.17**	-.15**	-.04**	-.78**	-.14**						
14. Occupational group = in-house service agents	.16**	-.13**	-.03*	-.02	-.12**	-.10**					
15. Occupational group = sales offices	.02**	-.18**	-.01	.24**	-.18**	-.15**	-.12**				
16. Occupational group = peripheral operations	-.01	.11**	-.03	.07**	-.27**	-.22**	-.18**	-.28**			
17. Occupational group = secondary business unit	-.24**	.04*	.14**	-.21**	-.14**	-.11**	-.09**	-.15**	-.21**		
18. Occupational group = engineering	.00	.06**	-.01	.13**	-.13**	-.11**	-.09**	-.14**	-.20**	-.11**	
19. Round	-.00	.04*	.03*	.11**	-.10	-.09**	-.06**	-.04*	.00	.15**	.15**

N = 4394; *, p < 0.05, **, p < 0.01

TABLE 2
Results of Regression Analysis for Employee Satisfaction with the Merger^a

Variables	Model 1	Model 2	Model 3	Model 4
Intercept	3.35**	2.12**	3.48**	2.24**
Company	-0.14**	-0.02	-0.13**	-0.02
Age	-0.00	-0.00	-0.00	-0.00
Gender	-0.13**	-0.09**	-0.14**	-0.09**
Tenure	-0.01**	-0.01**	-0.01**	-0.01**
Manager	0.18**	0.14**	0.19**	0.15**
Impact on the job	0.12**	0.10**	0.12**	0.10**
Occupational group = engineering	-0.21**	-0.20**	-0.23**	-0.22**
Occupational group = peripheral service agents	-0.17**	-0.20**	-0.19**	-0.21**
Occupational group = in-house service agents	-0.32**	-0.34**	-0.33**	-0.34**
Occupational group = sales offices	-0.04	-0.14**	-0.06	-0.15**
Occupational group = peripheral operations	-0.13*	-0.11*	-0.11*	-0.10*
Occupational group = secondary business unit	-0.01	-0.05	-0.02	-0.05
Round 2	0.01	0.01	0.01	0.02
Round 3	0.09†	0.09*	0.10*	0.10*
Round 4	0.02	-0.03	0.02	-0.03
Round 5	0.07	0.01	0.07	0.02
Main effects				
Organizational (postmerger) Identification		0.36**		0.35**
Cultural Differences			-0.22**	-0.13**
R ²	0.07	0.18	0.09	0.19
Δ R ²		0.11	0.02	0.12
Hierarchical F		596.92	67.11	314.94

^a N = 4394. The changes in R² in models 2, 3 and 4 are in comparison to the value in model 1. The coefficients reported are unstandardized estimates.

† p < 0.10; * p < 0.05; ** p < 0.01

TABLE 3
Results of Regression Analysis for Fairness of the Merger^a

Variables	Model 1	Model 2	Model 3	Model 4
Intercept	3.16**	2.10**	3.34**	2.29**
Company	-0.12**	-0.02	-0.11**	-0.01
Age	0.01**	0.01**	0.01**	0.01**
Gender	-0.05	-0.01	-0.05†	-0.02
Tenure	-0.01*	-0.01**	-0.01*	-0.01**
Manager	0.15**	0.12**	0.16**	0.13**
Impact on the job	-0.02†	-0.03**	-0.01	-0.03**
Occupational group = engineering	-0.17**	-0.17**	-0.20**	-0.19**
Occupational group = peripheral service agents	-0.07	-0.09*	-0.10*	-0.11**
Occupational group = in-house service agents	-0.19**	-0.20**	-0.20**	-0.21**
Occupational group = sales offices	0.07†	-0.02	0.05	-0.03
Occupational group = peripheral operations	-0.07	-0.06	-0.05	-0.04
Occupational group = secondary business unit	-0.03	-0.06	-0.04	-0.07
Round 2	-0.02	-0.02	-0.02	-0.01
Round 3	0.00	0.00	0.01	0.01
Round 4	0.04	-0.00	0.04	-0.00
Round 5	0.05	-0.00	0.05	0.00
Main effects				
Organizational (postmerger) Identification		0.32**		0.30**
Cultural Differences			-0.28**	-0.21**
R ²	0.03	0.13	0.06	0.15
Δ R ²		0.10	0.03	0.12
Hierarchical F		511.11	130.22	300.31

^a N = 4394. The changes in R² in models 2, 3 and 4 are in comparison to the value in model 1. The coefficients reported are unstandardized estimates.
† p < 0.10; * p < 0.05; ** p < 0.01

TABLE 4
Results of Regression Analysis for Willingness to Cooperate^a

Variables	Model 1	Model 2	Model 3	Model 4
Intercept	4.45**	3.74**	4.47**	3.73**
Company	-0.15**	-0.08**	-0.15**	-0.08**
Age	0.00	0.00	0.00	0.00
Gender	-0.02	0.00	-0.03	0.00
Tenure	-0.00	-0.00†	-0.00	-0.00†
Manager	0.13**	0.11**	0.13**	0.11**
Impact on the job	0.01	0.00	0.01	0.00
Occupational group = engineering	-0.11**	-0.10**	-0.11**	-0.11**
Occupational group = peripheral service agents	-0.30**	-0.32**	-0.31**	-0.32**
Occupational group = in-house service agents	-0.19**	-0.19**	-0.19**	-0.19**
Occupational group = sales offices	-0.05	-0.11**	-0.05†	-0.11**
Occupational group = peripheral operations	-0.18**	-0.17**	-0.17**	-0.17**
Occupational group = secondary business unit	-0.14**	-0.16**	-0.14**	-0.16**
Round 2	-0.04	-0.03	-0.04	-0.03
Round 3	-0.03	-0.03	-0.03	-0.03
Round 4	-0.05	-0.08*	-0.05	-0.08*
Round 5	-0.04	-0.07†	-0.04	-0.07†
Main effects				
Organizational (postmerger) Identification		0.21**		0.21**
Cultural Differences			-0.04†	0.01
R ²	0.04	0.11	0.04	0.11
Δ R ²		0.07	0.00	0.07
Hierarchical F		349.96	3.67	175.11

^a N = 4394. The changes in R² in models 2, 3 and 4 are in comparison to the value in model 1. The coefficients reported are unstandardized estimates.
† p < 0.10; * p < 0.05; ** p < 0.01

To examine the effect of organizational (postmerger) identification on employee satisfaction with the merger, perceived fairness of the merger and willingness to cooperate, we can look at Models 2 in Tables 2 through 4.

First of all, the additional variance accounted for by the organizational identification variable is significant. Since we observe a strong positive and significant effect for the organizational (postmerger) identification variable, we can argue that employees identifying more strongly with the post-merger organization are more satisfied with the merger, perceive the merger as more fair, and are more willing to cooperate in the merger. Thus, Hypothesis 1 is confirmed. However, we also see that organizational identification is positively associated with attitudes towards the merger (satisfaction with the merger and perceived fairness of the merger), a finding that we did not expect. Taken together, our results provide support for our conjecture that organizational identification is an important determinant of postmerger M&A success, both in terms of attitudes and behavioral intentions.

To examine the effect of organizational culture differences on employee satisfaction with the merger, perceived fairness of the merger and willingness to cooperate, we can look at Model 3 in Tables 2 through 4. We observe that the coefficient of organizational cultural difference is significantly negative for both attitudinal dependent variables, employee satisfaction with the merger and perceived fairness of the merger. Hence, the more employees perceive that differences exist between their 'own' organization's culture and the 'other' organization's culture, the less satisfied they are with the merger and the less fair they perceive the merger, confirming Hypothesis 2. These findings are in line with the theory of acculturation (Berry, 1980). This theory argues that cultural compatibility will reduce acculturative stress at an individual level. Hence, employees will react positively when organizational cultures are reconcilable in an M&A. Our results are also in line with Buono, Bowditch and Lewis (1985) who found a 'culture shock' occurring when two organizations merge. This cultural shock affects organizational members' feelings of discomfort.

When we look at behavioral intentions, we see that the variable organizational culture difference has only a weakly significant effect on willingness to cooperate in the merger. This effect disappears if the variable for post-merger organizational identification is entered into the model (Model 3 in Table 4). This suggests that the effect of cultural differences on willingness to cooperate is mediated by identification, as stated by Hypothesis 3. We checked for this effect

following the procedure recommended by Baron and Kenny (1986), and found that cultural differences (controlling for the same factors as in the regressions reported in Tables 2 through 4) relate negatively to both willingness to cooperate and post-merger identification. As the effect on willingness to cooperate disappears when the variable for post-merger identification is entered into the regression, we may say that post-merger identification fully mediates the effect of organizational culture differences on willingness to cooperate, confirming Hypothesis 3 (see Table 5 for a summary of the results). As our theoretical analysis suggests, organizational identification is more directly related to behavior (intentions) than perceived cultural differences.

DISCUSSION AND CONCLUSIONS

Organizational culture and organizational identity are important phenomena in the post-merger integration phase of organizations. Our theoretical analysis suggests that although the two concepts show similarities, they are significantly different. As Hatch and Schulz (2002) argue, organizational identity tends to be more explicit, relational and instrumental than organizational culture. Moreover, our empirical exploration suggests that these phenomena differentially impact on human integration after an M&A. Organizational identification, related to the social construction of organizational identity, is directly related to behavioral intentions in the postmerger integration phase of organizations. The influence of perceived cultural differences on behavioral intentions is fully mediated by organizational identification. Both organizational identification and perceived cultural differences are related to attitudes towards the M&A (satisfaction and perceived fairness). Taken together, our findings shed more light on the culture/identity - human behavior relationship in postmerger integration processes.

Looking at our results, it becomes clear that occupational group membership is strongly related to both attitudes and behavioral intentions. Future research should further examine to what extent this intra-organizational differentiation impacts on the effects of identification and culture. Moreover, departments within an organization may perceive the organizational postmerger identity differently. In addition, employees can identify with multiple identities (Ashforth & Johnson, 2001; George & Chattopadhyay, 2005; Hornsey & Hogg, 2000; Pratt & Foreman, 2000). Organizational culture, at first sight, is more common among the members of an organization. However, Van Maanen and Barley (1984) show that different groups within an organization can create their own professional or functional sub-cultures.

TABLE 5
Results of Regression Analyses for Testing Hypothesis 3^a

	Dependent variable = Willingness to Cooperate	Dependent Variable = Organizational Identification	R ²
Step 1: Cultural Differences	-0.04†		0.04
Step 2: Cultural Differences		-0.23**	0.09
Step 3 and 4: Cultural Differences Organizational Identification	0.01 0.21**		0.11

^a N = 4394. The coefficients reported are unstandardized estimates.

† p < 0.10

* p < 0.05

** p < 0.01

From both a practical and theoretical point of view it would be interesting to examine changes over time in the effects of identification and perceived cultural differences. Since Albert and Whetten's (1985) conceptualization of organizational identity, organizational scholars have challenged this view by arguing that organizational identities are less central, less distinctive and more flexible than originally thought (Corley, 2004; Corley et al., 2006; Gioia, Schultz & Corley, 2000; Gioia & Thomas, 1996; Hatch & Schultz, 2002; Pratt & Foreman, 2000; Ravasi & Schultz, 2006). Organizational culture, on the other hand reflects the central beliefs of a group, which could take more time to change, implying that perceptions of cultural differences could have a more enduring character than organizational identification. Some scholars would even argue that it is not possible to change or manage an organizational culture (Fiol et al., 1998). As Jameson (2007) argues, an organizational culture involves a historical perspective, whereas a social identity is usually embedded in a particular moment in time. This makes organizational culture more rigid than organizational identity, which, in turn, has important consequences for the implementation phase of mergers and acquisitions. When two companies are merged into one organization the organizational cultures need time to adapt to the change, while employees can identify with and adapt to a new identity more easily.

Our study provides new insights into how organizational identity distinguishes itself from organizational culture through the factors that are *influenced* by the two concepts. It would also be interesting to examine how organizational identity distinguishes itself from organizational culture through the factors that *cause* both constructs. Moreover, we could examine the dynamic relationship between organizational identity and culture more closely (Ravasi & Schultz, 2006). As Albert and Whetten (1985) already argued the relation of culture to identity is both an empirical question and a theoretical one.

Finally, more research examining the relationship between attitudes, behavioral intentions and actual behaviors during postmerger integration processes is needed. Several studies, for example, suggest that behavioral intentions mediate the impact of attitudinal antecedents on actual behavior (De Cannière et al., 2009). However, other studies (e.g., Schofield, Pattison, Hill & Borland, 2003), as well as our results, suggest that social identification with a group impacts on individual's attitudes, but also directly influences behavioral intentions.

APPENDIX

Multi-item Survey Constructs

Employee Satisfaction with the Merger ($\alpha = .81$)		Factor Loadings (λ)
1. The (company A-B) combination offers me an opportunity to fulfil my aspirations		.73
2. Overall, I am satisfied with the (company A-B) combination		.81
3. The (company A-B) combination offers me the opportunity for further development in my job		.72
Willingness to Cooperate ($\alpha = .64$)		
1. If the cooperation with (company A/company B) has an influence on my work, I will do my best to succeed		.83
2. I am open to cooperate with my colleagues from (company A/company B) when necessary		.74
3. I'm not willing to put myself out just to help the (company A-company B) combination (<i>reverse-coded</i>)		.41
Perceived Fairness ($\alpha = .75$)		
1. The decisions related to the combination harm neither of the two companies		.65
2. On the whole, the decisions related to the combination which affect your department are fair		.64
3. On the whole, the (company A-company B) agreement is fair		.85
Organizational (post-merger) Identification ($\alpha = .85$)		
1. When someone criticizes the (company A-company B), it feels like a personal insult		.63
2. I am very interested in what others think about the (company A-company B)		.69
3. When I talk about the (company A-company B), I usually say "we" rather than "they"		.69

4. When someone praises the (company A-company B), it feels like a personal compliment	.82
5. (Company A-Company B) successes are my successes	.80

Perceived Cultural Differences ($\alpha = .69$)

1. At (company A/company B), employees are responsible for the results of their work	.47
2. At (company A/company B), there is a good communication between employees and their managers	.51
3. At (company A/company B), respecting prescribed procedures is as important as achieving the desired results in one's job	.44
4. At (company A/company B) taking initiative is not encouraged	.60
5. At (company A/company B), conflicts are frequently ignored instead of openly discussed	.51
6. At (company A/company B), if you want something done you need to address the right people personally	.43
7. At (company A/company B), it is important to try to convince everyone with a stake in a given issue before a final decision is taken	.45

THE RELATIONSHIP BETWEEN PROFESSIONAL AND ORGANIZATIONAL IDENTIFICATION DURING POSTMERGER INTEGRATION

ABSTRACT

Building on social identity theory, we examine the effect of professional identification on employee identification with the postmerger organization. Our results demonstrate that if employees display strong professional identification, they identify more with the postmerger entity. However, this relationship is affected by a variety of variables. First, being an employee of the acquiring organization results in a more positive relationship between professional and organizational identification. Furthermore, members of a highly integrated organizational unit display a less positive relationship between professional and organizational identification. Finally, we challenge the previously developed static view on postmerger identification. The relation between professional identification and employee identification with the postmerger organization evolves over time.

¹ This chapter is the result of joint work with Niels Noorderhaven. An earlier version of this project has been awarded a Best Paper Award at the EURAM Doctoral Colloquium, 2008.

INTRODUCTION

The extent to which employees identify with the organization they work for has been the subject of many studies. Organizational identification, defined by Dutton, Dukerich and Harquail (1994: 239) as “the degree to which a member defines himself or herself by the same attributes that he or she believes define the organization”, has been shown to promote positive attitudes and behaviors towards the organization, such as cooperation, commitment and satisfaction, and is negatively related to employee turnover (Ashforth & Mael, 1989; Dutton et al., 1994; Foreman & Whetten, 2002), inter-group tensions (Van Knippenberg, Van Knippenberg, Monden & De Lima, 2002), and organizational cynicism (Kreiner & Ashforth, 2004). More recently, however, the fact that work situations may offer multiple targets for employee identification has received increasing attention (Hillman, Nicholson & Shropshire, 2008). For instance, an employee may identify not only with the organization as a whole, but also with his or her own work group or division (Ashforth & Johnson, 2001), or with his or her profession (Ashforth, Harrison & Corley, 2008).

Empirical research has focused on the relation between various kinds of dual identification targets, including identification with the workgroup and the organization as a whole (Ashforth & Johnson, 2001; Barker & Tompkins, 1994; Van Knippenberg & Van Schie, 2000), the multinational and subsidiary (Reade, 2001a; 2001b), the store and network (Riketta & Nienaber, 2007), an individual’s nation and continent (Cinnirella, 1997; Christ, Van Dick, Wagner & Stellmacher, 2003), and contract workers’ employer and client (George & Chattopadhyay, 2005). However, the findings on the relationships between different identities are mixed (Hillman et al., 2008). The issue becomes even more complicated when organizations go through fundamental structural changes, like spin-offs, mergers, or acquisitions (Abedin & Davies, 2007). Jetten, O’Brien and Trindall (2002: 283) note that “questions relating to how different levels of identification are affected by changes to the organizational structure and how employees cope with threats to specific levels of their identity remain unanswered”.

In our study, we explore the relationship between professional and organizational identification in the particular context of mergers and acquisitions (M&As). A number of papers point to the importance of identification in explaining issues related to merger success and failure (Bartels, Douwes, de Jong & Pruyn, 2006; Van Dick et al., 2006; Lipponen, Olkkonen & Moilanen, 2004; Van Dick, Wagner & Lemmer, 2004). Ashforth and Mael (1989) indicate that higher levels of organizational identification are associated with a greater likelihood that

employees will take the organization's perspective and will act in the organization's best interest. In times of considerable organizational restructuring (like in postmerger integration), these aspects are of crucial importance. Especially identification with the postmerger organization seems to be important for the success of a merger, as this has beneficial effects on individuals, work teams and the organization as a whole (Riketta, 2005; Terry, 2001; 2003; Van Dick, 2004; Van Dick et al., 2006; Van Knippenberg et al., 2002). Furthermore, identification with the postmerger organization influences employee willingness to strive for organizational goals, to stay with the organization, to spread a positive image of the organization and to cooperate with other organizational members (Bartels et al., 2006).

The role of professional identification in M&As has not been studied, with the exception of Empson (2004), who in a qualitative study discusses the concept in the context of a merger between two accounting firms. However, in light of social identity theory, professional identification could be relevant for virtually all members of an organization (Scott, 1997). Johnson et al. (2006) argue that employees may identify more strongly with their profession than with their employing organization, since employees tend to have more in common with their professional peers than with other organizational members. According to Ashforth et al. (2008), professional identification becomes more important as environmental conditions erode relationships with organizations — something that may also happen during fundamental organizational changes, such as M&As.

We argue that when there is alignment between premerger and postmerger organizational identities (as in a “friendly”, symbiotic merger), a strong professional identification will make it easier for employees to transfer their allegiance to the new, postmerger organization. The findings of our empirical study confirm this positive relationship, but also illustrate that there are a number of important moderating variables that influence the relationship between these two identification targets under the condition of structural organizational change. First, we make a distinction between acquired- and acquiring-firm employees. As we will argue, these employees experience an impact on their jobs differently. This, in turn, has its consequences for the relationship between professional and organizational (postmerger) identification.

Secondly, we will draw attention to the impact that divisional group membership has on the relationship between professional and organizational identification. A merger or acquisition is likely to have different effects for different groups within the companies. More specifically, we

find that a high integration intensity at the organizational unit results in a less positive relation between professional identification and identification with the postmerger organization.

Finally, by adopting a longitudinal perspective we are able to show how the relationship between two identification targets evolves over time. Studies including multiple identification targets have mostly been cross-sectional in nature, rendering a static picture of identification processes. But in the context of an organizational restructuring process, as in postmerger integration, identification dynamics may be assumed to be relevant. As Yu, Engleman and Van de Ven (2005) argue, research using real-time data collection within organizations for a long period of time after a merger is completed is rare. Our data allow us to examine the effects of professional identification on employee identification with the post-merger entity over four years of post-merger integration. Findings show that the relationship between professional and organizational (post-merger) identification becomes more positive in the wake of integration.

The remainder of this paper is organized as follows. The sections below develop a theoretical framework and advance hypotheses. The subsequent section describes our research design and the operationalization of the constructs. We test our hypotheses using data from an acquisition between two service-sector organizations collected at six-month intervals following the merger. The paper concludes with a discussion of the study's main theoretical and managerial implications and with suggestions for interesting future research opportunities.

THEORETICAL BACKGROUND

A theory that can help to get a grip on the relationship between different identification targets is social identity theory (Ashforth & Mael, 1989; Tajfel & Turner 1986). At first glance, it seems reasonable to assume that identification with one particular target is likely to detract from identification with other possible targets, and Turner, Hogg, Oakes, Reicher & Wetherell (1987) indeed argued that an individual is unable to simultaneously identify with different entities that are at the same level of abstraction. Scholars have also argued that in times of structural organizational change organization members need to *dis-identify* with previous entities before they can *reidentify* with new ones (Bridges, 1986; Chreim, 2002). More recently, however, scholars have argued that multiple identification is possible (Hornsey & Hogg, 2000; Ashforth & Johnson, 2001; George & Chattopadhyay, 2005).

How identification with one particular target affects identification with another seems to

depend on the relationship between the two targets. If the two identification targets are related and aligned with each other (as can be the case between a work group and the organization as a whole), then identities can be mutually reinforcing, and multiple identification has beneficial effects. If, in contrast, identities compete, then the outcomes for the organization are less positive (Riketta & Nienaber, 2007).

Pratt and Foreman (2000) argue that the way in which multiple identities are related to each other can explain whether individuals are likely to experience identity conflict, which can occur when two different targets of social identification (e.g., organization and profession) serve to direct individuals towards incompatible behaviors in a particular situation (Baumeister, 1999). Conversely, individuals are more likely to simultaneously identify with two identification targets if there is a high compatibility of identities in terms of prestige, distinctiveness, and values (George & Chattopadhyay, 2005). Below we provide a more detailed discussion with respect to the alignment of organizational and professional identification.

The Relationship between Organizational and Professional Identification

Although research on professional identification (or ‘occupational identification’, as it is often termed) has become more prevalent in recent years (Bamber & Iyer, 2002; Johnson, Morgeson, Ilgen, Meyer & Lloyd, 2006; Kreiner & Ashforth, 2004; Loi, Ngo & Foley, 2004; Pratt & Rafaeli, 1997), the literature remains sparse in comparison with that exploring organizational identification (Ashforth et al., 2008).

Professional identification can be expected to develop before organizational identification, as a result of professional training, education and socialization (Aranya, Pollock & Amernic, 1981; Bamber & Iyer, 2002; Russo, 1998). Moreover, if employees leave the organization, they often keep their professional affiliation; consequently, professional identification could be argued to transcend any given organization (Ashforth et al., 2008; Hebden, 1975). Pratt, Rockmann and Kaufmann (2006) even argue that the organization can be incorporated into one’s professional identity.

The relationship between organizational and professional identification is complicated. Some early studies emphasized organizational-professional conflicts (Greene, 1978; Scott, 1966; Sorensen & Sorensen, 1974). The potential tension between professionals and organizations stems from the organization’s concern with control, rules and regulations, which can easily clash

with the professional's concern for autonomy (Hebden, 1975; Sorensen, 1967), leading to role conflicts (Scott, 1966). Organizations and professions tend to be rival groups with different goals and values (Freidson, 2001).

Whereas early studies emphasized conflicts between organizational and professional identities (e.g., Sorensen & Sorensen, 1974), later work has demonstrated that at least for professionals such as accountants, R&D workers, engineers, newspaper journalists and veterinarians, professional and organizational identification can under certain conditions be positively correlated (see, respectively, Bamber & Iyer, 2002; Chang & Choi, 2007; Wang & Armstrong, 2004; Russo, 1998; and Johnson et al., 2006). Hence, organizational and professional identification need not be a zero-sum game (Wallace, 1995). Several authors maintain that the conflict between organizations and professionals does not need to be inherent, provided that work requirements are compatible with professional role requirements, and the organization meets the professional's work expectations (Blau, 1968; March & Simon, 1958).

Studies that found a positive correlation between professional and organizational identification also identified a number of conditions for this effect to arise. A vital aspect is the task autonomy of the professional (Russo, 1998). A positive or even synergetic relation between professional and organizational identification depends on the organization granting the professional employee a considerable degree of task autonomy. Furthermore, not only should the organization meet the employee's professional expectations and facilitate the professional in realizing his or her aspirations (Aranya et al., 1981; Norris & Niebuhr, 1984), but also work requirements should be compatible with the professional role requirements (March & Simon, 1958).

All of this suggests that the expectation that professional and organizational identities can be positively correlated is predicated on the possibility of finding and maintaining a delicate balance between organizational and professional commitments (Chang & Choi, 2007). The section below considers how a fundamental structural change may be expected to affect such an organization-profession balance, and what the effect of this might be on the relationship between these two identification targets.

Fundamental Structural Change

The discussion above implicitly assumed a stable situation in which subjects are confronted with

different identification targets. The questions become more complicated when organizations go through fundamental structural changes. Organizational change poses a threat to employees' self-definition and self-esteem (Hogg & Terry, 2000), which may affect identification. As argued by Jetten et al. (2002), the literature has neglected the question of how different types of identification are affected by changes to the organizational structure.

This paper focuses on the complex processes of identification in the particular context of mergers and acquisitions (M&As). However, M&As can be of different natures. Haspeslagh and Jemison (1991) distinguish three approaches that can be used in postmerger integration: preservation, absorption and symbiosis. The preservation approach is designed to preserve the identity of the firms involved in the M&A. Absorption policy, conversely, is designed to pool the resources of both companies in a merger or acquisition, whereby the initial identities of the companies disappear to give way to a new entity. Finally, the symbiosis approach preserves the identities of the two companies while simultaneously developing close relations at the operational level. In other words, symbiotic acquisitions are characterized by both a high degree of integration and a high degree of autonomy (Graebner, 2004; Puranam, Singh & Zollo, 2006).

Fundamental structural changes can influence in intricate ways not only the identifications of employees, but also the relationships between identification targets and types of identifications. This is for the most part uncharted territory. Since a complete exploration of this problem area would exceed the scope of this paper, we will focus instead on how one particular type of structural change—a symbiotic merger—influences the effect of professional identification on identification with the postmerger entity. The identity perspective is appropriate for a study of symbiotic mergers, for in these mergers top management is likely to be particularly interested in employee identification. Symbiotic integration processes aim to realise synergies by integrating the acquiring and acquired companies, while preserving a degree of autonomy in order to avoid any negative responses by employees (such as employee turnover) that would destroy value (Haspeslagh and Jemison, 1991).

HYPOTHESIS DEVELOPMENT

Professional identity has been defined as the relatively stable and enduring constellation of attributes, beliefs, values, motives and experiences in terms of which people define themselves in their professional roles (Ibarra, 1999; Schein, 1978). Social identity theory explains how

employees identifying with their profession incorporate distinctive professional attributes into conceptions of their self-identity. In a similar way as organizational identification, the process of professional identification refers to “the extent to which one defines him- or herself in terms of the work he or she does and the prototypical characteristics ascribed to individuals who do that work” (Mael & Ashforth, 1992: 106). Although the designation “professional identification” suggests otherwise, this definition reflects the degree to which any worker (i.e., not just professionals) identifies with his or her profession or occupation (Witt, 1993).

Since work and occupational status often play a prominent part in peoples’ lives, we can assume that an individual’s profession is an important target of identification (Kreiner & Ashforth, 2004). Loi et al. (2004) show that professional identification is a key construct in explaining employees’ job attitudes. Ashforth et al. (2008: 352) furthermore argue that professional identification “may become more important to individuals as environmental turbulence continues to erode long-term relationships with organizations and the various bases nested within them”.

As argued earlier, we assume that where professional and organizational identification correlate positively, this has been brought about by the crafting of a subtle balance between professional and organizational requirements. This view has important implications, because this delicate balance can easily be disrupted by a fundamental structural change, such as that caused by an M&A (Van Dick et al., 2004). Haspeslagh and Jemison (1991: 120) note that “[n]othing is ever the same after an acquisition: typically, the rules of the game change for everyone”. The magnitude of this change, however, differs between integration types. The temporary preservation of the premerger organization plus the synergetic nature of symbiotic M&As are likely to contribute to perceptions of alignment of professional and organizational goals. If employees perceive that a structural change helps in reaching their professional goals, then this change is more likely to be seen as incorporated into the organization’s identity, and eventually in the self-concepts of the employees (Rousseau, 1998). Thus, when employees do not have to change job routines and maintain their autonomy at work as in symbiotic postmerger integration, we can expect that a strong identification with their profession will help employees to transfer their allegiance to the new, postmerger entity, suggesting a positive relationship between professional identification and identification with the postmerger organization. Our baseline hypothesis therefore is as follows:

Hypothesis 1. In the context of symbiotic postmerger integration, professional identification positively relates to employee identification with the postmerger organization.

Whereas we propose an overall positive effect of professional identification on identification with the postmerger organization, this expectation can be refined in several ways. First of all, we think that the strength of the relationship between professional and postmerger identification will vary between organizational units. Covin et al. (1996, p. 139) clearly point to “the importance of considering key identity and organizational groups and their reactions to the merger”. One important distinction we can make in most mergers and acquisitions is between units that are left unaffected during post-merger integration and units that as a result of integration processes become highly integrated.

In the case of symbiotic postmerger integration, the autonomy of the merging firms is initially preserved, but with the intention to gradually increase the permeability of particular inter-firm divisional boundaries, reflecting the intention to transfer functional skills as well as general management authority (Haspeslagh & Jemison, 1991). Haspeslagh and Jemison state that neither managers nor employees can be fooled by the “no change – all synergies expected syndrome”, meaning that (even in a symbiotic M&A) employees of units that will become highly integrated know and expect that their autonomy will ultimately not be left unaffected (Haspeslagh & Jemison, 1991: 143).

Employees often select themselves into and out of organizations (Schneider, 1983), and employees who highly identify with their profession are likely to have carefully selected the organization for which they want to work (Witt, 1993). If, as a result of an M&A, the organization or unit changes, then employees with a high level of professional identification will more likely experience this as a loss.

Previous studies have shown that workers with strong professional identities will tend to resist the attempts of administrators to make them adopt new work behaviors, will be prone to actively oppose being controlled by others, and will respond rather negatively to perceived violations of the psychological contract between themselves and their organization (Hekman, Bigley, Steensma & Hereford, 2009). Hence, employees with strong professional identities could withdraw psychologically from the new, postmerger organization (Reichers, 1985), or reduce effort (Russo, 1998). Taken together, we expect that the relationship between professional

identification and employee identification with the postmerger entity is less positive in units with a high degree of integration.

Hypothesis 2. For employees in highly integrated units, the relationship between professional identification and employee identification with the postmerger organization is less positive.

A further distinction that is likely to have important consequences for identification processes in M&A settings is that between acquired-firm employees and acquiring-firm employees. As suggested by Marks and Mirvis (1985), in M&As one would expect to see some anger among employees in the acquired organization. Acquired-firm employees may see themselves as ‘been sold’ and they may feel inferior because of loss of autonomy and status (Hambrick & Canella, 1993). Moreover, one of the main concerns of acquired-firm employees after a merger is a loss of identity (Covin et al., 1996). Employees of the acquired firm may feel that their professional identity is threatened by the merger. Conversely, employees of the acquiring firm may feel a sense of pride when accomplishing the merger (Blake & Mouton, 1984). Rousseau (1998) further points out that usually the acquiring firm’s goals have priority in M&As. Hence, employees of the acquiring company may feel that there are job and professional opportunities instead of threats as a result of the merger. Based on our theoretical discussion of the relationship between professional and organizational identification we can thus hypothesize the following:

Hypothesis 3. For employees of the acquiring company, the relationship between professional identification and employee identification with the postmerger organization is more positive.

Finally, we should acknowledge the time-varying nature of post-merger integration processes (Haspeslagh & Jemison, 1991; Seo & Hill, 2005; Cartwright & Schoenberg, 2006; Gleibs, Mummendy & Noack, 2008). Unfortunately, previous studies have all but neglected the temporal aspects of M&As and longitudinal approaches to postmerger identification and its antecedents (Gleibs et al., 2008).

Although symbiotic mergers initially preserve the autonomy of the merging firms, the boundaries between the firms are eventually made increasingly permeable, so as to enable further integration. Moreover, this gradual increase of integration will be clear from the start, and

managers and employees of both firms know this (Haspeslagh & Jemison, 1991). Hence, symbiotic postmerger integration processes are likely to entail both an initial shock to and gradual changes in employee identifications. This makes symbiotic M&As an ideal laboratory for studying the dynamic aspects of multiple identification.

Although time has rarely been included as a theoretical central variable (McGrath & Tschau, 2004; Gleibs et al., 2008) social identity theory stresses the role of dynamics and time. Group membership and social categories are constantly changing, depending on situations and time points (Tajfel, 1982). Jetten et al. (2002: 294) empirically demonstrate that “employees’ identification with the organization is not fixed but varies over time to express the individual’s relationship with the organization”.

With respect to employees’ professional identification, we also expect that the effects on employee identification with the post-merger organization are time-variant. M&As are an important source of uncertainty to employees (Cording, Christmann & King, 2008). Employees will respond to post-merger integration by worrying about their employment and job restructurings. However, uncertainties disappear with time, and a new equilibrium will develop between employees’ allegiance to their professions and to their organizations. In order to resolve their uncertainty, employees will try to gather information about the merger from at least three sources (Daft & Lengel, 1986): executive communications, external media, and personal experiences. Executive communications are often of a general nature, and will not necessarily be perceived to be completely veracious. The same is likely to be true of external media communication. As an employee in one of the merged organizations we studied remarked:

“Management gave us the impression that we only would cooperate. Initially we also did not get any information from the media. Now we are merged. I think it is quite striking.”

While personal experiences of what the merger really means can compensate for this uncertainty, this experience becomes available only gradually. Hence, as personal experiences with the merger accumulate over time, we expect in a symbiotic merger that the negative effects of professional identification will diminish and that the positive effects will prevail even more.

Moreover, we expect that organizational and professional identifications become more aligned over time, due to management’s attention to human integration processes (Haspeslagh and Jemison, 1991). In this way professionals can re-establish their organization-profession

balance (Chang & Choi, 2007). Hence, the initial tension between the organization and the employees' profession caused by a fundamental structural change may be expected to get resolved. Hence, we hypothesize the following:

Hypothesis 4. The relationship between professional identification and employee identification with the postmerger organization will become more positive over time.

METHODS

Below we describe how we test the developed hypotheses using data from a large-scale study of two merged organizations.

Research Setting

Our study is conducted at two merged firms from different European countries. Both companies operate in the same service sector, and one company is approximately twice the size of the other. The merger was announced at the end of 2003, and both companies officially merged in May 2004.² The CEOs of both companies agreed to participate in the research project. The study started shortly after the completion of the merger and covers a period of almost four and a half years. Data were collected at Time 1 (November, 2004) and then approximately every six months ending at Time 6 (February, 2008). In consultation with both companies, and for the purpose of analysis, we broke this timeline into two periods: early postmerger integration (first three rounds of data collection) and late postmerger integration (last three rounds of data collection). That this choice was not arbitrarily made can be seen from the following quotes two years into the integration process:

“You can see that the first phase is over now”
(Employee at Corporate Headquarters)

“The initial period has now come to an end”
(Manager at one of the Outstations)

² Legally, it was a friendly acquisition of the smaller company by the larger company. However, the Combination (official indication of the merged organization) has been managed as a symbiotic merger.

Sample and Data Collection Procedure

The unit of analysis in the study is the perception of the individual employee. To avoid problems of subject attrition and panel conditioning, we chose a repeated cross-sectional survey design (rather than a panel study). The stratified samples represent employees from a variety of hierarchical levels and functional departments. Each employee received a seven-page questionnaire, accompanied by a cover letter from the CEO of the company of origin and with a letter from the research team. These letters outlined the nature of the study, asked employees to cooperate with the study and ensured confidentiality of the survey responses. Employees were drawn in independent samples over time. To capture possible differences among single and multiple respondents, a single question was added to the questionnaire from the second round onwards: “Have you ever filled out this questionnaire before?”.³

In total, 6415 questionnaires were collected. Response rates are around 30% for both companies throughout the six periods.

Variables

The questionnaire contained several concepts that are not relevant for the present context. The main interest of the part of the study we report on here pertains to the effect of professional identification on employee identification with the postmerger organization. We describe only those scales that match the present theoretical framework. The Appendix reports the multi-item survey constructs used in this study together with their factor loadings and Cronbach’s alpha for scale reliability.

The dependent variable in this study, *Identification with the postmerger organization*, is measured by five items derived from Mael and Ashforth’s (1992) organizational identification scale. These items were rated on a Likert-type scale (1 = completely disagree to 5 = completely agree). As can be seen from the Appendix, Cronbach’s alpha for the postmerger identification scale equals 0.85, which indicates good scale reliability.

Professional identification is measured by five items that are equivalent to the organizational identification scale. With a Cronbach’s alpha of 0.85, the professional identification scale also demonstrates good scale reliability.

³ We found no significant differences in the results among single- and multiple respondents.

The variable *Late integration phase* (expressed in a dummy variable: 1 = late postmerger integration and 0 = early postmerger integration) distinguishes the different time periods in which the data was collected.

Company is a dummy variable for distinguishing the two merged organizations (0 = acquiring company and 1 = acquired company). The dominant merger partner may be expected to be able to secure greater continuity during post-merger integration, thereby “increasing the chances that its members will identify with the postmerger entity compared to members of the dominated partner” (Van Dick et al., 2006: S72).

To document the organizational unit in which an employee works, a single question was asked: “Please indicate your occupational group”. Respondents could choose between seven alternatives that were provided based on consultation with both companies. These different alternatives ranged from a relatively low to a relatively high degree of postmerger integration (in terms of e.g., exchange of personnel, collocation of offices, and alignment of work practices). We grouped the three most integrated organizational units into the variable *High integration*.

Finally, several control variables are included in the model. *Gender* is included as a dummy variable (0 = male and 1 = female) because gender could have an effect on an individual’s organizational attachment (Tsui, Egan & O’Reilly, 1992). *Age* and *Tenure*, both expressed in years, are two other variables that control for individual effects. Finally, the hierarchical level within the organization may influence identification (Corley, 2004). Therefore, respondents were asked whether they have any subordinates, resulting in the variable *Manager*.

Analysis

We conducted a confirmatory factor analysis using AMOS 6.0 (Byrne, 2001) to check for convergent and discriminant validity. Subsequently, we performed hierarchical multiple regressions to examine employee identification with the post-merger organization. Before calculating the interaction terms used to test Hypotheses 2 through 4, we mean-centered the variables involved (Aiken & West, 1991). Finally, before estimating the model, we used an imputation method based on the Expectation-Maximization (EM) algorithm.⁴ Bernaards and Sijtsma (2000) found that EM methods better recover complete questionnaire rating scale data

⁴ A consequence of item nonresponse is that parameter estimates are biased (in the situation of nonignorable item nonresponse) or less accurate (in the situation of ignorable item nonresponse).

than other, simpler data imputation methods.⁵

RESULTS

Reliability and Validity

Both multi-item constructs display satisfactory levels of reliability, as can be seen from the Cronbach's alphas in the Appendix, which equal 0.85. Convergent validity is examined by looking at the item factor loadings (see Appendix). All standardized item loadings (λ) for the multi-item constructs of professional identification and organizational (post-merger) identification are above the cut-off value of 0.50 (Hildebrandt, 1987), supporting convergent validity. To assess discriminant validity, we performed a chi-square difference test on the factor correlations. We constrained the correlation between the professional and organizational identification constructs to 1.0, and then performed a chi-square difference test on the values obtained for the unconstrained and the constrained model. The significant difference in chi-square ($\Delta \chi^2 = 1024.47$, $\Delta df = 1$, $p < 0.01$) between the unconstrained model and the constrained model indicates that discriminant validity is achieved. Moreover, the differences in goodness-of-fit and comparative-fit indexes between the constrained- and unconstrained models are moderately large ($\Delta GFI = 0.02$, $\Delta CFI = 0.04$), again providing evidence for sufficient discriminant validity.

Testing the Hypotheses

Means, standard deviations and construct correlations are presented in Table 1. The results in Table 2 (Model 1) allow us to conclude that male employees identify more with the postmerger organization than female employees do, *ceteris paribus*. Furthermore, the older the employees are, the more they identify with the postmerger organization. As expected, the variable *Company* has a negative sign, which means that employees from the acquiring company identify relatively more with the postmerger organization, compared with employees from the acquired company. As in Corley's (2004) study we also find differences in identity perceptions along hierarchical lines: managerial status in our sample has a positive impact on the extent to which people identify with the postmerger organization. Finally, employees identify more with the postmerger

⁵ A listwise deletion method provides us with the same results. Therefore, we only report estimates based on the EM algorithm.

TABLE 1
Descriptive Statistics and Correlations Matrix

Variables	Mean	s.d.	1	2	3	4	5	6	7	8
1. Postmerger identification	3.32	0.89								
2. Professional identification	3.84	0.83	.49*							
3. Company	0.46	0.50	-.20*	-.22*						
4. Age	40.55	9.23	.11*	.04*	-.13*					
5. Gender	0.41	0.49	-.06*	.01	-.04*	-.23*				
6. Tenure	14.24	9.71	.10*	.05*	-.13*	.82*	-.22*			
7. Manager	0.35	0.48	.08*	.07*	-.01	.19*	-.14*	.18*		
8. Late Integration phase	0.52	0.50	.10*	.02	-.06*	.07*	-.00	.04*	.01	
9. High Integration	0.55	0.50	.02	-.02	.05*	.14*	-.07*	.13*	-.03	-.10*

N = 6415; * : $p < 0.01$

TABLE 2
Results of Regression Analysis for Organizational (PostMerger) Identification^a

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
Intercept	3.42** (0.08)	3.17** (0.07)	3.17** (0.07)	3.16** (0.07)	3.16** (0.07)
Company	-0.34** (0.02)	-0.16** (0.02)	-0.16** (0.02)	-0.17** (0.02)	-0.16** (0.02)
Age	0.01** (0.00)	0.01** (0.00)	0.01** (0.00)	0.01** (0.00)	0.01** (0.00)
Gender	-0.09** (0.02)	-0.10** (0.02)	-0.10** (0.02)	-0.10** (0.02)	-0.10** (0.02)
Tenure	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Manager	0.11** (0.02)	0.06** (0.02)	0.06** (0.02)	0.06** (0.02)	0.06** (0.02)
Late Integration phase	0.17** (0.02)	0.18** (0.02)	0.18** (0.02)	0.18** (0.02)	0.18** (0.02)
High Integration	0.08** (0.02)	0.08** (0.02)	0.08** (0.02)	0.08** (0.02)	0.09** (0.02)
Main effect					
Professional Identification		0.51** (0.01)	0.53** (0.02)	0.64** (0.04)	0.59** (0.04)
Interactions					
High Integration x Professional Identification			-0.04* (0.02)	-0.03† (0.02)	-0.03 (0.02)
Company x Professional Identification				-0.08** (0.02)	-0.08** (0.02)
Late Integration phase x Professional Identification					0.09** (0.02)
R ²	0.07	0.28	0.28	0.28	0.28
Δ R ²		0.20	0.00	0.00	0.00
Δ F		significant	significant	significant	significant

^aN = 6415. The changes in R² and F-statistic in models 3, 4 and 5 are in comparison to the value in model 2. The coefficients reported are unstandardized estimates, with standard errors in parentheses.

† p < 0.10

* p < 0.05

** p < 0.01

organization in organizational units with a relatively high degree of integration and in later stages of post-merger integration.

To examine the effect of professional identification on employee identification with the postmerger organization, we introduced this variable in Model 2 (see Table 2). The additional variance accounted for by the professional identification variable is significant ($\Delta R^2 = 0.20$, $p < 0.01$). The coefficient of the professional identification variable in Model 2 is significant and positive ($b = 0.51$, $p < 0.01$), therefore providing support for Hypothesis 1. This allows us to conclude that in the merger we studied professional identification has a positive effect on identification with the postmerger organization.

To test whether being situated in a highly integrated units has a detrimental effect on the relationship between professional identification and employee identification with the postmerger organization (Hypothesis 2), we regressed employee identification with the postmerger organization on *High Integration*, *Professional identification* and *High Integration x Professional identification*. As can be seen from Model 3 in Table 2, the coefficient of the interaction term *High Integration x Professional identification* is significantly negative ($b = -.04$, $p < 0.05$), thereby supporting Hypothesis 2.

To gain further insight into the relationship between professional identification and employee identification with the postmerger organization, we plotted this relationship for employees in relatively high integrated units and relatively low integrated units (see Figure 1). The regression lines represent the relative postmerger identification values expected on the basis of unstandardized regression coefficients from the regression in Table 3 (Model 3).

Hypothesis 3 predicts that the positive relationship between professional identification and postmerger identification attenuates for employees of the acquiring company. From the results in Table 2 (Model 4), we observe that the coefficient of the interaction term *Company x Professional Identification* is negative and significant ($b = -.08$, $p < 0.01$). Hence, Hypothesis 3 is supported. Figure 2 plots the relationship between professional and postmerger identification for the two different companies (i.e. ‘acquiring’ and ‘acquired’ firm).

Finally, we expect that the positive effect of professional identification on organizational post-merger identification will become stronger during the symbiotic postmerger integration phase. The significantly positive interaction term *Professional identification x Late integration* ($b = .09$, $p < 0.01$) in Model 5 (see Table 2) indeed supports our conjectures. We plotted the

relationship between professional identification and employee identification with the postmerger organization for the ‘early’ and ‘late’ post-merger integration phase (see Figure 3).

FIGURE 1
The Relationship between Professional Identification and Postmerger Identification
Moderated by Degree of Integration

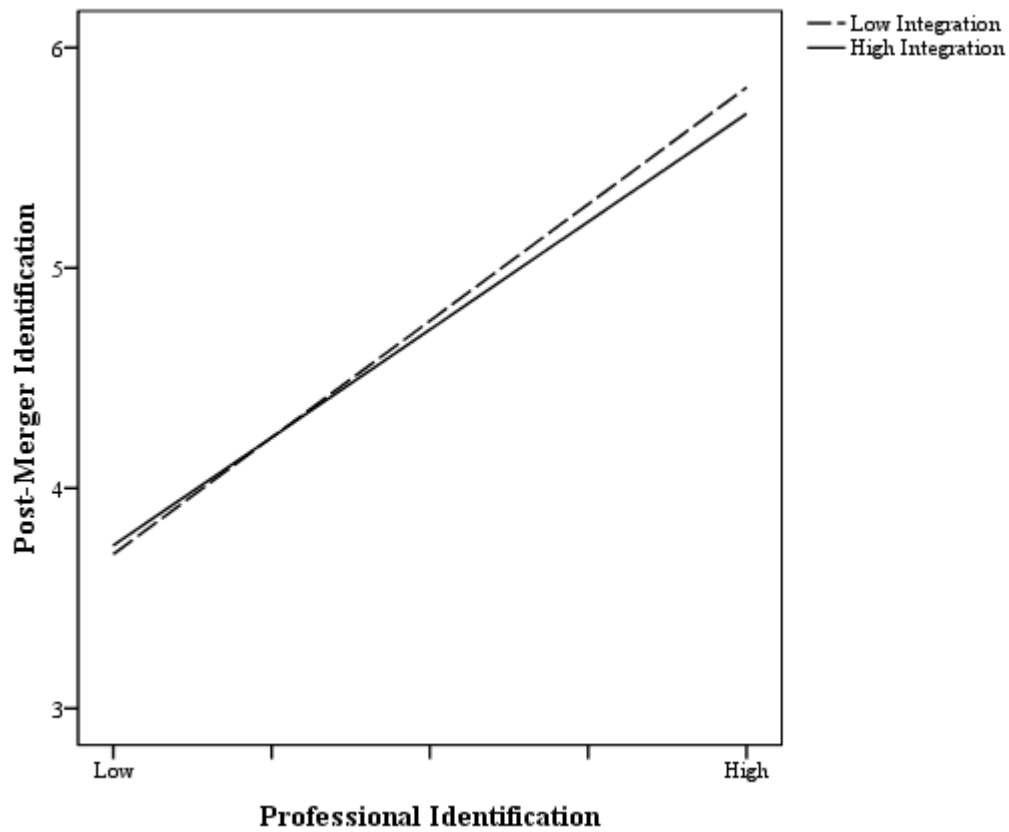


FIGURE 2
The Relationship between Professional Identification and Postmerger Identification
Moderated by Type of Firm

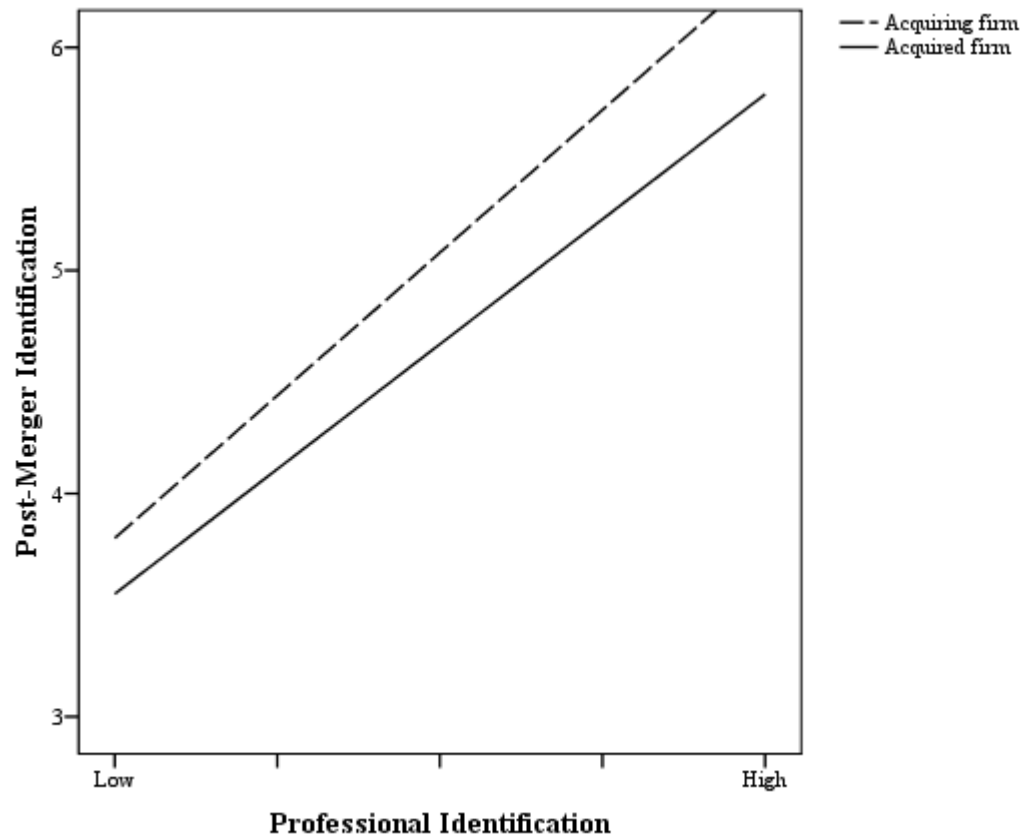
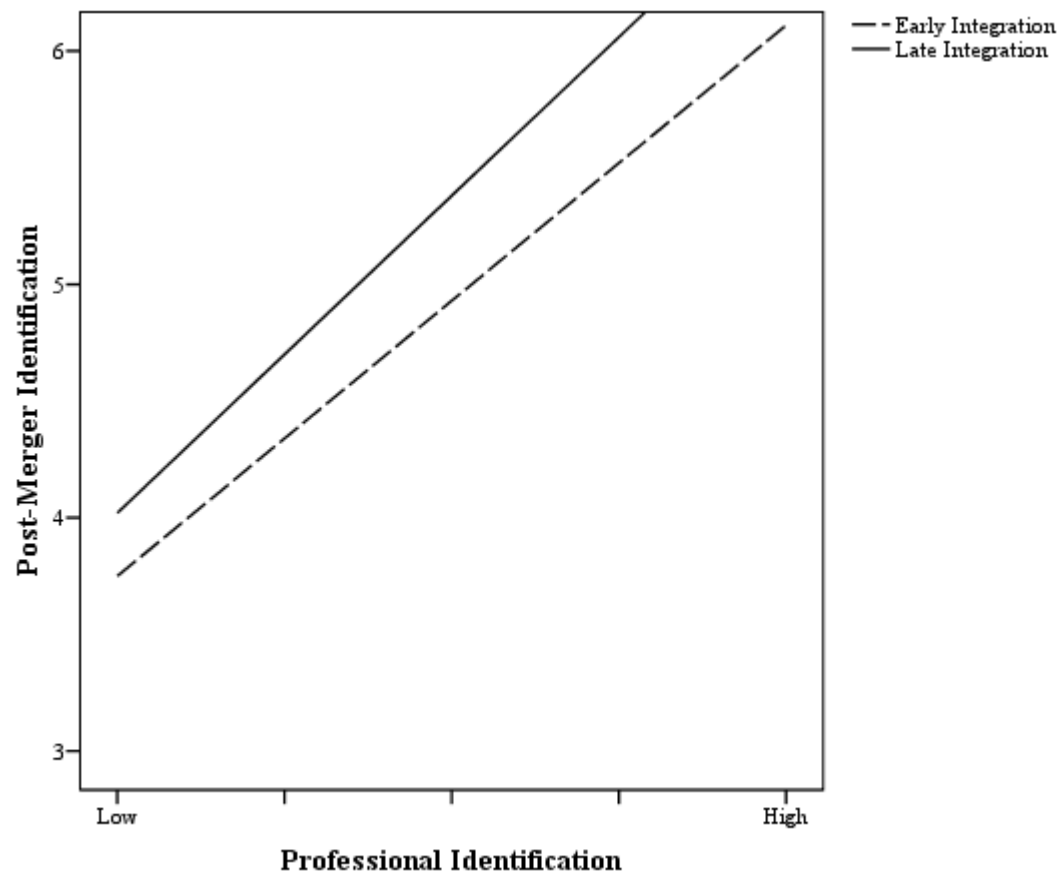


FIGURE 3
The Relationship between Professional Identification and Postmerger Identification
Moderated by Time Period



Robustness Checks

Measuring multiple identifications by using parallel items in a cross-sectional design is likely to result in inflated correlations by common method variance. Moreover, individuals differ with regard to their propensity to identify with all potential targets of identification. Such differences could distort our proposed relationships. Finally, some of our cases had a number of missing values — particularly on the questions regarding the identification constructs. For these reasons we deleted all cases that had more than three values missing on a set of 10 variables: five postmerger identification items and five items measuring professional identification. To reduce response bias, we further deleted cases with identical scores on more than half of these 10 items. This left us with 2768 cases, 1386 from the ‘acquiring’ company and 1381 from the ‘acquired’ company. We then performed the same statistical analyses and our results are very similar.

DISCUSSION**Theoretical and Managerial Implications**

Our study has shown how fundamental structural changes can intricately influence not only the identifications of employees, but also the relationships between identification targets and types of identifications. This is for the most part uncharted territory. Since a complete exploration of this problem area exceeds the scope of this paper, we have focused instead on how one particular type of structural change — a symbiotic M&A — influences the effects of professional identification on identification with the postmerger entity.

Building on social identity theory, we argue that despite the fact that organizational and professional identifications can under certain conditions be positively correlated, the balance between these two identification targets is likely to be disrupted by a fundamental organizational change (such as that caused by an M&A). However, in the merger that we studied both companies continued to operate as separate companies out of their home countries. Moreover, the companies kept their own name and remained separate entities. In fact, we argue that through the synergetic nature of symbiotic M&As, perceptions of alignment between employees’ postmerger organizational identity and professional requirements become more salient. Our empirical analysis indeed shows a dominant positive effect of professional identification on employees’ identification with the postmerger entity. There are, however, important moderators that influence this relationship. First, in organizational units in which the impact of the M&A is ‘felt’

the most we observe a less positive relationship between professional and organizational (postmerger) identification. Second, being a member of the acquiring organization results in a more positive relationship between professional and organizational (postmerger) identification. Finally, our study points to the importance of the dynamics of change in temporal terms. The relation between professional identification and employee identification with the postmerger organization becomes more positive in later stages of the integration process. This result can likely be attributed to management's attention to human integration processes during the course of symbiotic integration. Although the interaction effects that we found in our study have a minor impact on the main effect of professional identification on employees' identification with the postmerger organization, we believe that these findings are crucial. Our empirical setting (i.e. a friendly, symbiotic merger) can be regarded as conservative. In other words, we expect that the interaction effects will be more pronounced in M&As of a less friendly nature and/or in M&As that are managed by using a more rigorous integration approach.

From a practical point of view, managers should be aware of the fact that an organization can be composed of a variety of identities, and that these identities influence each other in intricate and dynamic ways. A further implication of our study is that promoting employee identification with the merged firm may in the case of symbiotic mergers call for counter-intuitive policies. Our study suggests that if employees are given the opportunity to continue to look at their profession as a source of identity, this will positively influence their identification with the postmerger organization. This implies that policies trying to de-emphasize identification with the profession are not to be recommended. Our findings furthermore show that in M&As managerial attention should focus on the professional identity of employees of the acquired firm, as worries about professional autonomy may to some extent undermine identification with the merged firm. Again, in our study the size of this effect was small, but it is likely that in less friendly mergers it may be much stronger.

Finally, understanding how employees reach a certain level of identification provides important and valuable insight into triggers of employee behavior. Bartels et al. (2006) found that the level of identification with a postmerger organization is strongly associated with several key attitudinal and behavioral variables, including employee willingness to strive for organizational goals, cooperation with other organizational members, and turnover intention. In other words, gaining insight into how and why organizational members will identify with their postmerger

organization is crucial if we want to explain the success of an M&A.

Taken together, our study 1) has advanced the social identity literature on multiple identifications, 2) has broadened our understanding of postmerger integration, and 3) has enriched the previously rather static picture of identification processes.

Limitations of the Study

An important limitation of this study is its (repeated) cross-sectional design. Although we collected data at different points in time, our analysis could not follow changes over time in the identification of individual employees. Any causal interpretation of the results may therefore be ill advised.

A second limitation concerns the nature of the data. First of all, we collected the independent and dependent variables using the same instrument. Hence, there is a risk of common method bias. However, several scholars (Spector, 2006; Crampton & Wagner, 1994) indicate that these method bias effects may be overstated. Our support for Hypotheses 2 through 4 is also unlikely to be an artefact of single-respondent bias, since it is implausible that respondents will theorize such a moderated relationship when filling out the questionnaire (Kotabe, Martin & Domoto, 2003). Furthermore, most of our conclusions are based on interactions with an objective measure (i.e. time, company, and division), which argues against an interpretation in terms of common method bias. Finally, we undertook procedural remedies against common method bias, such as protecting respondent anonymity and reducing item ambiguity.

A final limitation of this study is related to the generalizability of the findings. Our data were collected for one particular merger, where top management chose to pursue a symbiotic post-merger integration approach. However, based on our study's findings, we are able to argue that the type of integration approach importantly influences the relationship between identification targets.

Suggestions for Future Research

More insight is needed regarding the role of identifications in postmerger integration processes. Use of longitudinal research designs would allow us to more closely examine the relationship between multiple identification targets over time. This would also allow us to explore how employees gradually develop identification with the merged firm — both building on and

detracting from other identity targets, including the profession.

This study paid no attention to the determinants of our explanatory variables. A possible next step would include examining the antecedents of professional identification, and investigating how both identifications and their antecedents develop over time. Such an approach might use non-perceptual measures of possible factors influencing targets of identification, such as changes in the leadership of the merged company, or officially announced policy changes.

Another possibility for future research is to link identification targets to other important constructs in the postmerger integration phase of organizations. Van Knippenberg, Martin and Tyler (2006), for example, argue that organizational identification may largely determine whether employees are focused upon change-related outcomes or on the change processes themselves in times of considerable organizational restructuring. Here, we see a clear link between the effects of identification and justice concerns (Citera & Rentsch, 1993).

The issue of multiple identification in situations of structural organizational change evokes a new set of questions. Future research could also incorporate other identification targets such as identification with the premerger organization or workgroup identification. In this situation, will “old” identifications compete with or complement identification with the “new” entity? And will organizational structural changes evoke immediate shifts in identification, or will these shifts take place more gradually over time? Answers to these questions will further enrich our understanding of multiple identification processes in times of organizational change.

Finally, we encourage future research to replicate or contradict the findings of this study in other inter- and/or intra-organizational contexts in which radical organizational discontinuities occur.

APPENDIX
Multi-item Survey Constructs

	Factor Loadings (λ)
Organizational (post-merger) Identification (Cronbach's $\alpha = .85$)	
1. When someone criticizes (company A-B), it feels like a personal insult	.63
2. I am very interested in what others think about (company A-B)	.69
3. When I talk about (company A-B), I usually say "we" rather than "they"	.68
4. When someone praises (company A-B), it feels like a personal compliment	.84
5. (Company A-B)'s successes are my successes	.80
Professional Identification (Cronbach's $\alpha = .85$)	
1. When someone criticizes my occupation, it feels like a personal insult	.70
2. I am very interested in what others think about my occupation	.68
3. When I talk about my occupation, I usually say "we" rather than "they"	.61
4. When someone praises my occupation, it feels like a personal compliment	.86
5. My occupation's successes are my successes	.78

**PRODUCTION, CONTEXTUALIZATION, AND CONSUMPTION OF NORMS OF
JUSTICE IN POSTMERGER INTEGRATION: A LONGITUDINAL ANALYSIS OF
THE MERGER BETWEEN AIR FRANCE AND KLM**

ABSTRACT

In this paper we develop a justice-based model of post-merger integration. Drawing on qualitative analysis of longitudinal data from the post-merger integration between Air France and KLM airlines, we elucidate the social processes through which idiosyncratic norms of distributive justice are iteratively produced, contextualized and consumed. In particular, our findings highlight three kinds of dynamics: temporal dynamics in terms of changes in norms and their interpretations over time, dialogical dynamics in terms of the interrelatedness of actors' sensemaking processes, and inherent dialectics in terms of tensions characterizing different sensemaking, -giving, -hiding and -breaking modes.

¹ This chapter is the result of joint work with Philippe Monin, Niels Noorderhaven and Eero Vaara.

INTRODUCTION

Justice plays a central role in inter-organizational relationships (Ring & Van de Ven, 1994), including mergers and acquisitions (M&As) (Lipponen, Oikkonen & Moilanen, 2004; Meyer, 2001). M&A scholars have examined ‘justice,’ ‘fairness,’ ‘equality,’ and ‘equity’ from multiple perspectives (Hambrick & Cannella, 1993; Meyer & Altenborg, 2007; Zaheer, Schomaker & Genc, 2003). As a result, we have learned that M&A decision-making does not merely focus on synergy gains or rationalization benefits, but also has to deal with distributive (fair distribution of resources, roles and responsibilities) and procedural justice (fairness in decision-making). Research has predominantly focused on employees’ perceptions of justice and their behavioral and organizational implications (Citera & Rentsch, 1993; Novelli, Kirkman & Shapiro, 1995). Less is known, however, about the underlying norms of justice and their role in post-merger integration. In particular, there is a paucity of knowledge about how these norms are made sense of and given sense to in unfolding post-merger processes.

Although we focus on the M&A context, this question has broader significance for the analysis of organizational justice. Scholars of organizational behavior have long recognized the crucial role of justice in organizational life, and empirical studies – mostly experimental by design – have flourished (Greenberg & Cropanzano, 2001). However, few studies have investigated justice longitudinally as part of organizational change processes. As a result, we do not know much about how norms of justice are created, negotiated, accepted and at times resisted over time and in changing organizational contexts (Ambrose & Cropanzano, 2003). Moreover, the justice literature has neither adequately addressed the power that rests with executives as norm setters, nor the various ways in which employees respond to management’s justice initiatives (Fortin & Fellenz, 2008).

Whereas several dimensions of justice can be distinguished (Cohen-Charash & Spector, 2001), we focus on the distributive justice dimension, which is arguably the most central issue when dealing with complex questions such as ownership and control, allocation of top managerial positions, location of headquarters and other units, division of roles and responsibilities, allocation of resources, the focus of shutdowns and reductions, and the choice of corporate name and language in international M&As. To develop a better understanding of the processes of production and consumption of norms of distributive justice in M&As, we adopt a sensemaking perspective. This view focuses on the key processes through which norms of

distributive justice are made sense of (Weick, 1995) and given sense to (Gioia & Chittipeddi, 1991). In particular, since norms of justice are essentially linguistic constructions, we highlight the crucial role of discourse and framing in sensemaking processes (Fiss & Zajac, 2006; Hellgren, Löwstedt, Puttonen, Tienari, Vaara & Werr, 2002; Phillips, Lawrence & Hardy, 2004). We argue that by framing issues in certain ways, organizational actors produce particular context-specific norms that form the basis for subsequent sensemaking. We also maintain that it is crucial to examine how these discursive norms of justice are subsequently contextualized and consumed to understand whether they ‘take on’ or not, as well as how contextualization and consumption lead to changes in the norms originally set.

This kind of perspective calls for a longitudinal study of organizational sensemaking in unfolding post-merger integration processes. For this purpose, we conducted a longitudinal analysis of post-merger decision-making in the recent merger between Air France and KLM airlines. Based on extensive data including interviews, documents, and information provided in formal and informal contacts between top management and the research team, we examined the production and consumption of norms of justice in the course of unfolding integration processes. Our analysis reveals that the purposeful production of norms of justice by top managers consists of sensegiving and sensehiding of justice connotations. These norms of justice are subsequently contextualized by middle management, and this may take forms such as exemplification, quantification and framebreaking. We then show that the consumption of norms may take the form of internalization, distancing, and resistance. This leads us to propose a process model of production, contextualization and consumption of justice norms. Our model specifically highlights three kinds of dynamics: temporal dynamics in terms of changes in norms and their interpretations over time, dialogical dynamics in terms of the interrelatedness of actors’ sensemaking processes, and inherent dialectics in terms of tensions characterizing different sensemaking, -giving, -hiding and -breaking modes.

The paper is organized as follows. We first develop our research question by drawing on previous studies on mergers and acquisitions, justice, and sensemaking. Then, we introduce the case, describe our data, and explain our multi-method approach to data analysis. The subsequent sections report our key findings in terms of various types of sensemaking dynamics. We conclude by formulating implications for research on mergers and acquisitions and organizational justice.

A SENSEMAKING PERSPECTIVE ON DISTRIBUTIVE JUSTICE IN M&AS

Justice in M&As. Post-merger integration has been examined from multiple perspectives, including organizational, strategic, cultural and psychological. The more strategically-oriented stream of research has focused on such issues as how management can bring about potential synergistic benefits (Larsson & Finkelstein, 1999; Shaver, 2006), create value (Haspeslagh & Jemison, 1991), or transfer knowledge or capabilities from one organization to another (Bresman, Birkinshaw & Noel, 1999). Organizational and psychological perspectives have focused on the uncertainty, anxiety and stress that people involved in post-merger integration processes experience and the consequent motivational or resistance problems at the organizational level (Buono & Bowditch, 1989; Greenwood, Hinings & Brown, 1994). Researchers have also analyzed cultural integration processes and sought explanations for post-merger problems in terms of cultural clashes between merger parties (Chatterjee, Lubatkin, Schweiger & Weber, 1992; Datta, 1991; Nahavandi & Malekzadeh, 1988; Schweiger & Goulet, 2005). In international settings, researchers have focused on national cultural differences and cross-national confrontation (Stahl & Mendenhall 2005; Very, Lubatkin, Calori & Veiga, 1997). Analyses have also highlighted the political aspects of post-merger decision-making (Vaara, 2003).

Importantly for our purposes, there has been an increasing interest in justice in M&As. Ring and Van de Ven (1994) paved the way for these studies by maintaining that justice is the ultimate lower-bound criterion of judgment in all kinds of inter-organizational cooperative relationships. In other words, partners consider whether the relation is fair, and the answer to that question determines the fate of the relationship. Building on that insight, M&A scholars have examined 'justice,' 'fairness,' 'equality,' and 'equity' from multiple perspectives (Lipponen et al., 2004; Meyer, 2001; Very et al., 1997). These studies demonstrate that it is difficult to maintain consistent images of 'equity' or to hold on to a perfect 'balance of power' in the long run (Hambrick & Cannella, 1993; Meyer & Altenborg, 2007; Zaheer et al., 2003). These contributions notwithstanding, we lack knowledge of how justice is managed in post-merger integration processes. Notably, extant studies have failed to uncover how managers in various positions in post-merger organizations specifically engage in sensemaking and sensegiving by producing and contextualizing norms of justice, and how employees make sense of these activities.

Norms of distributive justice as social constructions. Organizational justice is about people's

perceptions of fairness in organizations. In the following, we focus on the distributive justice dimension, referring to the perceived fairness of outcome distributions (Adams, 1965; Leventhal, 1976). A distribution is perceived to be fair if it is consistent with chosen norms of allocation. While early justice contributions focused on the equity norm of allocation, according to which outcomes should be distributed in proportion to merit (Adams, 1965; Homans, 1961), other distribution rules such as equality and need were later introduced (Deutsch, 1975; Leventhal, 1976; Sampson, 1975). The equality rule deems it fair if everyone receives the same outcome, while a need-based allocation distributes outcomes proportionately to the need of individuals. Each of these rules may be influential, depending on the context, goals, and motives of collaboration (Leventhal, 1976).

Extant work on distributive justice in M&As has examined how general and possibly competing norms of distributive justice influence the dynamics of M&As (Marks & Mirvis, 1992). The special case of ‘merger of equals’ has drawn attention, as it offers a salient context to examine the competition between equity and equality as legitimate norms of distributive justice. Kabanoff (1991: 423) and Meyer (2001: 52) have suggested that negotiation rather than distribution may well be the crucial process leading to distributive justice. Zaheer et al. (2003: 186) expressed the same idea: “By defining a merger as one of ‘equals,’ an expectation of distributive equality may be created (i.e. that every aspect of the merger will be equal), rather than one of integrative equality, where on balance, each side will gain in some areas and lose in others.”

These early contributions provide important insights into the dynamics of justice in M&As; yet they fall short on three accounts. First, the norms of allocation have been mostly treated as competing and exclusive, while there is evidence of a hybridization of norms of justice that lead to ‘softened’ conceptions of, say, equality (for an overview, see Sabbagh, 2001). Second, extant research has paid little attention to processes of social construction of norms of justice. As these norms tend to be produced and negotiated among more or less powerful actors in a given place and time, spelled out in more or less ambiguous ways in formal-legal contracts, shareholders’ agreements, or memoranda of understanding, and reframed or eventually resisted in interpretations and behaviors, this is a serious omission. Third, extant research in M&As has focused on reactive distributive justice issues, i.e., on the antecedents and consequences of perceived (un)fairness, thereby reflecting the focus of the larger body of justice research in

organizations. The proactive creation of norms of fairness or unfairness has received little attention in field research to date, even though there is evidence to suggest that executives at the apex of M&As purposefully choose and promote specific distributive justice norms (Bies and Tripp, 1995; Fortin & Fellenz, 2008).

A sensemaking perspective. A sensemaking perspective allows one to examine the complex socio-psychological processes through which organizational actors socially construct their ‘realities’ (Dutton, Ashforth, O’Neill & Lawrence, 2001; Weick, 1995). It thus provides a broad theoretical framework for examining the social construction of norms of distributive justice in M&As. While sensemaking may be defined and understood in different ways, our premise is that it is a continuous interpretative activity, closely linked with organizational action. Such sensemaking includes purposeful sensegiving (Gioia & Chittipeddi, 1991) and sensebreaking (Pratt, 2000), and even sensehiding (Vaara & Monin, 2010).

Language plays a crucial role in sensemaking (Weick, 1995). It is through discourse that specific conceptions of norms of justice are produced, translated, accepted or transformed. These norms need to be spelled out, thus particular justice norms become crystallized in narratives, catch-phrases, or metaphors. In a rare analysis of such production, Fortin and Fellenz (2008: 428) underscore the importance of norm shaping: “Shaping is the long-term attempt to influence employees’ internal fairness norms to align with organizational preferences ... Shaping involves managerial activities aimed at shaping employees’ understanding of what is fair and the way they conceptualize fairness. By necessity, these mechanisms are subtle and include the creation of social myths, the use of language and symbols, and even non-verbal suggestions”. Through shaping managers can influence the justice perceptions and resulting reactions of employees, for example by promoting a focus on certain allocation norms.

Management but also union leaders and national governments – if national interests are at stake – may provide alternative, if not rival frames of justice. These norms articulated and communicated to the organization may be the outcome of negotiations between several stakeholders – and thus already represent compromises in terms of various interests and ideas. Interestingly, Watson (2003: 155) points out that “research on perceptions of fairness is complicated by the ways in which powerful alliances (e.g., change agents) control and disseminate ideas, norms and values – ideology – that encourages others to understand and interpret changes through management’s preferred cognitive frame of reference”. Based on an

analysis of managerial discourse, he suggested that leaders use numerous strategies to shape employees' perceptions of fairness in the best of managerial interests.

However, to provide a fuller picture, we need to investigate how these norms of justice are contextualized in the merging organizations. Contextualization – sometimes called translation (Latour 2005; Law & Hassard, 1999) or recontextualization (Fairclough, 2005) – is a process in which discourses (in our case, concerning norms of justice) are made new sense of in a specific organizational context. Contextualization is a necessary condition for any general principle to 'take on' as an important norm of justice in the organization. Otherwise the norms of justice communicated from the top will remain 'loosely coupled' to organizational reality or may even appear as 'empty rhetoric.'

Finally, it is paramount to focus attention on the consumption of the proposed norms. It is well known that discourses can be consumed in different ways (de Certeau, 1988). This is also the case with norms of justice; they may be internalized, purposefully ignored, or even resisted (Oliver, 1991). These reactions are crucial in terms of determining whether specific norms promoted by top management will be followed up or not, and whether related organizational changes will be resisted or not.

In sum, despite the central role of norms of justice in M&As, there is a lack of understanding of how such norms are created and responded to in post-merger organizational settings. We propose a sensemaking approach to elucidate the production-contextualization-consumption dynamics as an inherent part of post-merger integration. This leads us to formulate our research questions as follows: *How are norms of justice produced, contextualized and consumed in post-merger organizations? What are the dynamics that characterize sensemaking of norms of justice in unfolding post-merger integration processes? How do these dynamics play out over time?*

THE CASE AND METHODOLOGY

This research is based on a longitudinal analysis of the merger between Air France and KLM. The case – formally a friendly acquisition – soon became a historical landmark: it was a big merger for the airline industry in terms of the size of the companies (turnover 13 + 7 billion euros) and their number of employees (72,000 + 30,000), and, most importantly, the first major international merger in the industry. This case is revelatory (Miles & Huberman 1994, Yin 2005), as it involved a number of controversies concerning organizational and national politics, which

created a special need to justify that the deal and the subsequent post-merger integration decisions were fair. Consequently, this case is particularly suitable for our purpose: to examine the dynamics of social construction of distributive justice norms as part of ongoing post-merger integration processes.

Empirical material. We gained access to the case immediately when the merger plans were announced through direct contact with top management. This led to a longitudinal research project where we researchers followed the unfolding post-merger integration processes on a real-time basis. The project was designed to fulfill our academic research interests, but it also served to provide continuous feedback to the merged organization's corporate management. We interviewed hundreds of people in different parts of the merged organization and were offered plenty of informal and formal occasions to discuss key issues with top and middle management. We also benefitted from full access to company plans, communications material, newsletters and magazines and other documents. In addition to this, we gathered extensive material about the media coverage of the merger.

Semi-structured interviews. Interviews served as the primary source of data. Altogether, 682 interviews were conducted in 2004-2008. They represented both Air France and KLM in a cross-section of businesses, functions, and hierarchical levels. We conducted a series of interviews every six months for the first three years of the merger.

An interview protocol was designed for this project, and it included specific questions about justice such as: "Do you think the decisions taken so far are advantageous or disadvantageous to the company? What about your own function or department?" "The combination was guided by a fairness principle. From what you observe, is that true? Why (not)?" The key idea of these semi-structured one-to-one interviews was to let the interviewees express their experiences in their own words. This allowed us to zoom in on the organizational sensemaking processes and compare the interpretations of people representing different parts of the organizations. The interviews lasted 45-90 minutes, and the interview protocol was largely standardized across informants, with some customization for hierarchical level, business unit, and organizational tenure. We conducted the interviews in French, Dutch and English, depending on the mother tongue and language skills of the interviewer and interviewee.

Documents. We collected unobtrusive documentary data (Webb & Weick, 1979). In particular,

the company newsletters at Air France (called *Concorde*) and KLM (called *Wolkenridder Actueel*) provided interesting information on the framings of specific issues of debate. Furthermore, Spinetta and van Wijk gave several public speeches and interviews, that were recorded, transcribed, and diffused through several media. We sampled 15 of them, which covered a period from September 15, 2003 to May 15, 2006. To understand the wider discussion around the merger, we also gathered extensive media coverage, focusing on the explicit or implicit norms of justice. For this purpose we searched the LexisNexis database between 2004 and 2008 for newspaper articles referring to “Spinetta,” “Van Wijk,” “Air France” and/or “KLM,” and scanned all entries for interviews or quotes from the top management. Furthermore, we used several reports in *Airline Business*, notably the July 2004 interview of Spinetta and van Wijk by journalist Colin Baker (p. 32-36). We also built on short papers such as the publication by Dave Del Canho & Joeri Engelfriet in *Business Strategy Review*. At KLM, Del Canho served as Senior VP of Corporate Strategy and Development and Engelfriet was Director of Strategy and M&A. We had the opportunity to meet with them.

Discussions with top management. Throughout the research project, we remained in close contact with Air France-KLM corporate management, and this proximity provided numerous opportunities to discuss issues, formally and informally. During the data collection process the research team reported its findings every six months to the research project steering committee and, upon demand, to HR managers in several businesses. Key findings were presented once a year to the Strategic Management Committee. These formal reports as well as other more informal meetings were important opportunities to discuss our findings and validate our results. For this paper we relied on the interviews as the main source of data on justice production, contextualization and consumption dynamics. We used documentation data and discussions with top management team as important sources of triangulation and supplementary sources for understanding events and their presentation to various constituencies and discrepancies among informants as a means of gaining additional perspectives on key issues (Jick, 1979; Miles & Huberman, 1994).

Analysis. Our analytic approach is best described as analytic abduction (Peirce, 1955; van Maanen, Sodersten & Mitchell, 2007): an iteration between theoretical constructs and empirical data. Accordingly, theoretical ideas were developed alongside increasingly accurate mapping of

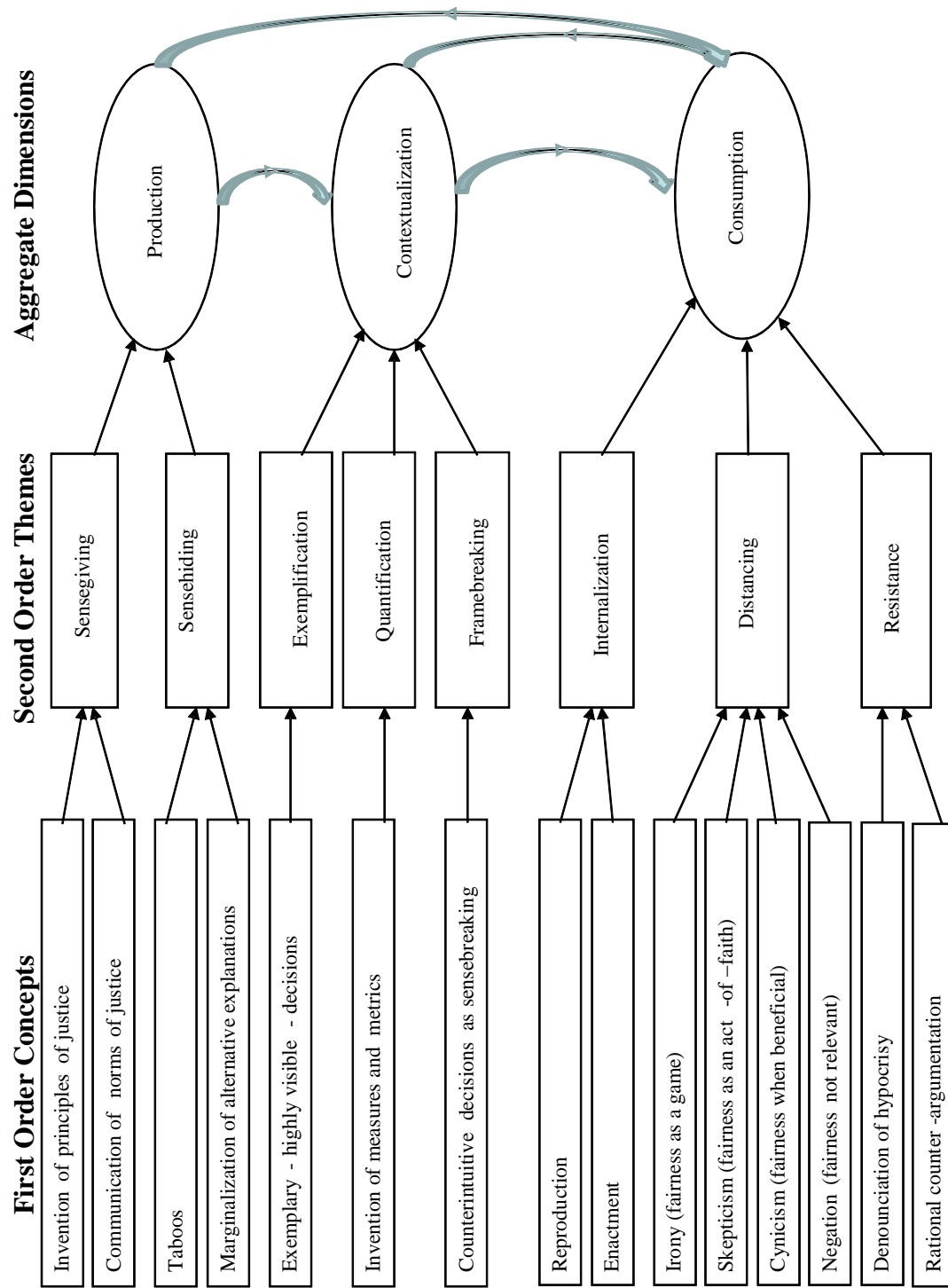
the case (Langley, 1999). Our analysis proceeded in stages. First, based on all available documentary and interview material, we mapped out events and decisions in great detail, then identified key issues for the people involved, after which we examined which kinds of norms of justice were socially constructed in the context of these key issues.

Second, we carried out an analysis of the company documents, communications material and media coverage to analyze how justice norms were discursively constructed. In particular, we examined the formal-legal agreement known as the “Framework Agreement between Air France and KLM.” Another important part of this step was a discourse analysis of the speeches and communications of Spinetta and van Wijk that occurred from 2003 to 2007. This revealed for example that the word ‘merger’ was first used by the President when he announced the consolidated financial results after two years of the official ‘combination’. Until that time, this term was avoided in internal and external communication and only used for legal purposes and in communications to the financial sector. We identified key themes and focused on influential and prevalent narratives, catch-phrases and metaphors. We examined their discursive nature, i.e., if and how they linked with more general ethical discourses around the merger. We then traced the origins of these discourses to better understand to which extent the influential and diffused norms were the results of intentional management of meaning – e.g., top management’s rhetorical strategies – or to which extent they emerged from idiosyncratic sensemaking in specific arenas.

Third, we then sought to analyze sensemaking patterns in more detail, based on a careful qualitative analysis of the interview material. We decided to focus on a few key issues and events that would highlight different patterns in this sensemaking (for a similar approach, see Ariño and De La Torre, 1998).

Fourth, on this basis, we elaborated a coding scheme that helped us to identify specific categories of sensemaking. Following the method exemplified by Corley and Gioia (2004), we began by identifying first-order codes (i.e. language used by the informants) illustrated with simple descriptive quotes. Then we proceeded to search for relationships between and among these categories, which led us to develop the second-order categories in our analysis. These techniques were not linear but, instead, formed a “recursive, process-oriented, analytic procedure” (Locke, 1996: 240) that continued until we had a clear grasp of the emerging picture. Figure 1 provides a summary of the structure of the data.

FIGURE 1
Structure of the data



This kind of analysis involves methodological challenges. Norms of justice are ontologically and epistemologically complicated objects to capture and study. In particular, it is difficult to place specific norms in the broader context and to identify patterns in sensemaking. Our ‘triangulation’ strategy – the constant effort to compare the evidence from different sources – helped with these challenges. This kind of analysis is also necessarily interpretative and subjective, which can lead to one-sided representations and conclusions. We were undoubtedly biased by our background, nationality and relationships with people in the organization, as well as by our opinions of what is right or wrong. However, working in an international team where we researchers represented both nationalities helped us to reduce ethnocentricity. It provided apt opportunities for putting our findings into perspective. Also, our regular feedback meetings with both companies helped to validate our findings. Finally, all this analysis was challenging language-wise, as we had to work in French, Dutch and English. Actual analysis was always conducted in the original language, but the main results were translated into English when comparing the findings. Although meanings and nuances were unavoidably lost in such translations, the richness of the material allowed us to deal with specific problems by striving to constantly compare several examples.

MAKING SENSE OF JUSTICE IN POST-MERGER INTEGRATION

In the following, we provide an episodic view of the production, contextualization and consumption of norms of justice as part of the unfolding post-merger integration process: (1) Production: management of meaning at the top, (2) Contextualization: sensemaking and sensegiving in business units, (3) Consumption: sensemaking and reactions among personnel, (4) Reproduction: generation of new meanings to push integration forward, (5) Recontextualization: new interpretations in the business units and (6) Reconsumption: new patterns of sensemaking among personnel.

Production: management of meaning at the top

Sensegiving in the case of this merger involved explicit production of norms of justice. From the beginning of the negotiations, the CEOs – Jean-Cyril Spinetta and Leo van Wijk – were acutely aware that justice would be a crucial issue in the integration of this merger. According to the interviews, such issues as traffic rights, national chauvinism, and nationality-related airline identities were seen as sensitive topics that would require “fair” treatment; so much so that they

gave “fairness” the status of the governing principle of the Air France-KLM combination. The results of the merger negotiations were spelled out in the “Framework Agreement.” This legal document provided the governance principles for the Air France-KLM combination. A closer analysis of the framework agreement revealed that even though some issues were explained in a relatively detailed way, the actual principles often remained ambiguous – which, according to our information, was necessary to simultaneously appeal to several key stakeholders.

Once invented, the fairness principle was then communicated to important stakeholders. Early communication emphasized “equality”: equal representation at the Strategic Management Committee, equal opportunities for both Air France and KLM employees and an equivalent number of Dutch managers.

Sensegiving and sensehiding are the two sides of the same coin (Vaara & Monin, 2010). In this case, the focus on “equality” for the management meant that the arrangement should not be seen as a full-fledged merger. Top management reasoned that fairness and merger could not co-exist, and for the fairness principle to live, the merger word had to be avoided. Importantly, the principle of fairness proved to be a powerful means to manage the meaning of the merger and to deal with sensitive issues. Our analysis below illustrates that it was important for top management not to be overly specific about the meanings of “fairness” or “equality” to retain a degree of freedom in view of the future decisions to be made.

Contextualization: sensemaking and sensegiving in business units.

Post-merger integration proceeded in different ways in business areas and units, necessitating different forms of contextualization of the general “fairness” principle.

Exemplification. Translation of abstract norms of justice into concrete symbolic decisions is an important means for contextualization. The combination of the airlines’ networks was carried out shortly after the signature, as a way to generate significant synergies immediately. Decisions in the route networks illustrate that even detailed stipulations as those in the Framework Agreement still leave some room how to apply those principles in specific situations: what to do if the routes involved in a swap are not equally desirable, and what to do in case one of the airlines does not actually serve a destination itself, but has some arrangement with a third party? Our case exemplifies that some decisions that are tough for the bigger partner can still be taken, if there is some business rationale. Finally, the decisions together illustrate the crucial role of

exemplification in both making sense of more general fairness principles in specific contexts and symbolizing fairness as gainshare/painshare.

Quantification. Quantification was another important means of contextualization (Espeland and Stevens, 1998). Where the coordination of activities proceeded most rapidly, it was decided that the marketing, network and sales functions would be fully integrated, while operational activities would remain separate. For example, the “Balancing Act” at one of the business units became a discourse that was thereafter used as an apt description of the way in which changes were to be made. In an interview, a manager of one of the two companies explained to us how proportionality (“something like 60/40”) in appointing managers from the two airlines on key positions was pursued.

The resulting metrics were developed within the business unit Management Committee, but were not understood or applicable elsewhere. Although the ‘fairness’ principle, by design, forbade any reference to metrics, calculation or quantification, to preserve its essential ambiguity, at the focal business unit, the use of such metrics was needed to make more concrete sense out of the overarching “fairness” principle, and provided a decision-making rule that would be perceived as legitimate by business unit employees. By doing so, the business unit’s management reduced its future freedom of interpretation and action, but could legitimate current decisions with references to specific rules.

Consumption: sensemaking and reactions among personnel.

Throughout our empirical study, we consistently met and interviewed employees whose reactions varied a great deal across locations and functions, as well as over time. Ultimately, individual people can react to and make sense of justice in different ways, for example due to their personality or personal circumstances. Nevertheless, our analysis clearly indicates that most people tended to internalize the fairness principle communicated by top management and the specific interpretations made by middle management. However, others took distance to the fairness principle and still others openly resisted this principle.

Internalization. Most of the employees we interviewed appeared to internalize the fairness principle. This was shown in constant references to this principle and arguments regarding the fairness of specific decisions. For example, an employee put it as follows: “I believe the whole ‘fair and balanced principle’ is outstanding and it is really amazing how they let us experience it

this way”. While these people had different views on specific issues, they did not question the “fairness” principle per se. Their reactions ranged from silent enactment in talk and action to emotional enthusiasm in reproducing and diffusing the discourse. These and numerous other examples at various parts of the merging organizations illustrate how the fairness principle became a taken-for-granted component of post-merger integration for a majority of organizational members. Furthermore, the positive reactions proved to be crucial in terms of persuading and convincing others to follow these norms and their interpretations.

Distancing. A second, relatively smaller group of employees had a more reflexive approach to the fairness principle and its contextual meanings. In brief, this group of people did not contest the principle per se, but took some distance to top and middle manager issue framing and meaning management. Typically, these people shared the view that references to fairness were unavoidable in “well-designed” and “smartly-implemented” integration. However, they did not accept management’s rhetoric at face value. Relying on irony, skepticism and cynicism, they focused attention on the manipulative aspects and political implications of specific framing of issues.

Some employees saw ‘fairness’ with irony. On the one hand, this view meant that they recognized that there were rules that had to be followed. On the other, it was clear that ‘the game’ could be played in different ways: specific norms of fairness could be reinterpreted and followed in ways that suited people’s underlying interests.

Other employees expressed skepticism. They shared the view that the discourse on fairness could not hurt, but they personally would not believe in its performative role.

A cynical group of employees took further distance from top and middle management rhetoric. A common sentiment among the cynics seemed to be that the fairness principle was only considered in cases when it turned out to be beneficial. Cynics did not directly contest top and middle management fairness rhetoric but claimed that the fairness principle was selectively used by parties when it was beneficial to them.

In brief, while distancing to the fairness principle took several different forms, it served organizational members well by protecting their identity in the post-merger integration process against the most perceptible ‘control over their mind’ (Alvesson & Deetz, 1996).

Resistance. A third and the relatively smallest group of employees developed rational counter-arguments to the way in which top and middle management framed the fairness principle. Those

employees did not usually reject the fairness principle per se, but resisted its specific applications. One of the typical reasons for resistance was the inability to specify the norms and their application (the ‘index problem’ in distributive justice). This led some employees to search for alternative decision-making criteria or approaches to solve difficult issues.

Eventually, employees’ reactions had an important impact on how top and middle management made sense of and gave sense to the fairness principle, which we will explain in more detail below.

Reproduction: generation of new meanings to push integration forward.

Top management made continuous efforts to push integration forward, and an essential part of this work was to develop and communicate new principles. This work was greatly influenced by the reports on the progress of integration; in particular, by the employees’ perceptions of justice.² Among other things, this led to a reframing of the norms of justice.

As explained above, the word ‘merger’ was avoided in official communication, both internally and externally. However, in some functions and units, middle and front-line management started to use the word, especially in the case of outstations. This was understandable as the people from the two airlines were relocated together, sales people developed joint offers, and they also visited corporate customers together.

Based on careful planning of how to communicate the new objectives of integration, Spinetta finally officially appropriated the term in the Air France-KLM Convention December 2006. The “M-word,” avoided initially in order not to disrupt the idea of fairness, was now seen as compatible to this principle, and could subsequently be used in communication. Spinetta outlined a new approach in 2006: “The principle of equal representation is no longer necessary. It prevents emergence of a real group culture”. Hartman and Van Wijk over time referred less to “equality” and “balance” that were initially crucial vis-à-vis Dutch stakeholders. Instead, they moved on to increasingly emphasize “fairness,” and eventually publicly acknowledged that the norm of justice that they produced ‘had not been very unambiguous’. Eventually Hartman put it as follows in an

² Air France-KLM management paid attention to employees’ perceptions of (in)-justice to a degree commensurate with the prominence of the fairness principle in the governance of the Air France-KLM Combination. On the whole, management was less sensitive to the absolute levels of perceived (un)fairness than it was to variations across time and to the differences in (un)fairness perceptions between Air France and KLM employees.

interview in NRC Handelsblad (November 22, 2007): “Instead of 50/50 we now have 7 members from Air France and 6 from KLM. I think that is right, given that Air France is twice as big as we are. But I’m not sitting here as a frustrated guy. KLM remains an independent enterprise within the holding. We remain in charge of our own investments and our fleet”.

It was not the end of the management of meaning, however. In particular, it was clear that any references to ‘acquisition, ‘dominance’ by either party or other images of an unbalance of power were carefully avoided by top management.

Recontextualization: new interpretations in the business units.

Both employee reactions and the top management’s evolving meaning of fairness had a significant impact on how business unit managers made sense of and gave sense to justice.

New exemplification. Although the Cargo division at Air France was bigger than that at KLM, in the agreements in working out the merger a KLM manager was given the lead of these activities (see Del Canho & Engelfriet, 2008: 37 for an account of the episode). For some Air France employees this was not very easy to accept. The Joint Cargo Management Team understood these problems and introduced a new interpretation of the fairness principle. Management seized an opportunity to exemplify ‘fairness’ with a highly symbolic decision. Years before, KLM had ordered a fourth freighter (a 100% cargo aircraft) to renew its fleet and to reduce its direct costs (fuel consumption). At the end of 2006, it was decided that this freighter would not be used to expand the KLM Cargo fleet, but would replace an older, fuel-inefficient plane at Air France Cargo, where it would have a bigger impact on the combined bottom line. Not surprisingly, this recontextualization led to a clear improvement in the level of perceived fairness among Air France employees at Cargo. By focusing attention on a symbolic decision as a complement to earlier quantification, Cargo top management was able to restore a sense of fairness.

Framebreaking. Outstations proved to be another interesting area of integration. Here, the purpose was to combine Air France and KLM offices and rationalize sales and marketing efforts in specific countries. The overall pattern was to relocate the smaller player’s personnel to the premises of the larger player in the particular country. However, the relocation also depended on practical considerations, such as the ownership or terms of lease of offices. This taken-for-granted ‘*Majority Rule*’ was fully in line with the overall ‘fairness’ principle, but remained implicit. This scenario eventually came to fruition as expected in four countries. However,

surprises would come from two countries in 2007, where candidates from the locally smaller partner were nominated. Such framebreaking decisions created specific awareness around integration decisions. Interestingly, these decisions also seemed to strengthen the authority of management as the ultimate sensegiver.

Reconsumption: new patterns of sensemaking among personnel.

These new principles and their context-specific interpretations had a great impact on the employees' views about the merger in general and justice in particular. As referred to above, many people seemed to adhere to the newly formed bases of fairness and view the situation as fair. However, it appears that some employees also became more skeptical and pointed to two-facedness in organizational decision-making.

New distancing. In particular, some people seemed to go further than before in taking distance to top management's principles, an attitude that we call negation. This sub-group of people simply did not react to the "fairness" principle. When interviewed, these people typically claimed that organizational life is simply not fair, and questioned the very conception that fairness ought to be a governing principle.

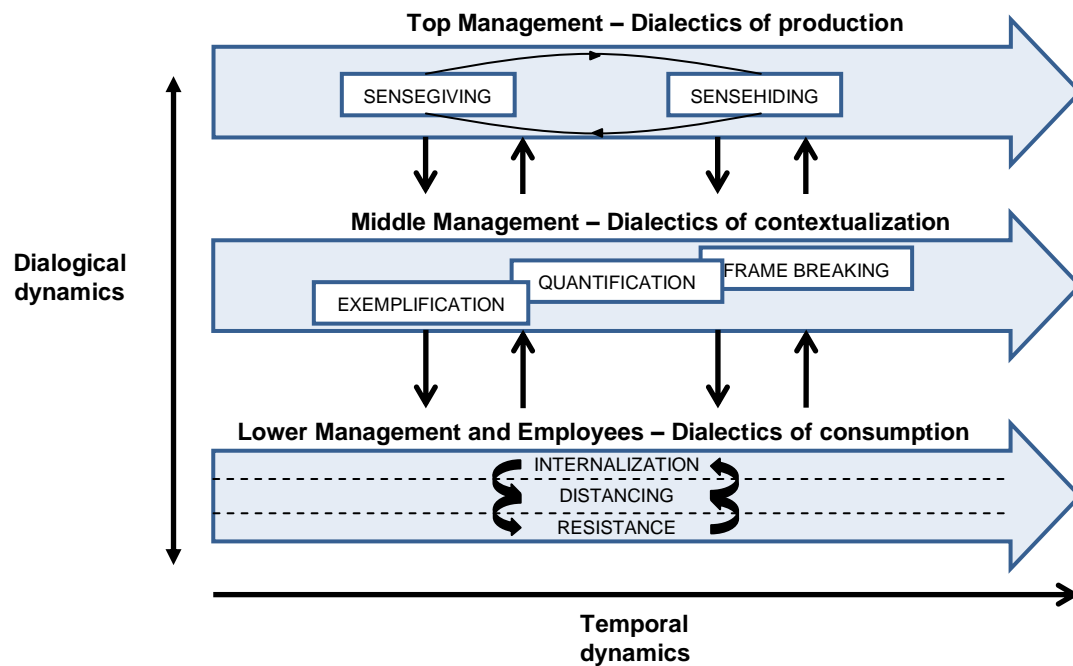
New resistance. In addition to open resistance by counter-arguments, our analysis indicates that over time more people also focused attention on alleged discrepancies in management's discourse and organizational reality.

DISCUSSION: PRODUCTION-CONTEXTUALIZATION-CONSUMPTION DYNAMICS

Our analysis elucidates the central role that norms of justice play in post-merger integration. In particular, our study illustrates how (re)production, (re)contextualization and (re)consumption of norms of justice are in inherent part of post-merger integration dynamics. Thus, our analysis sheds light on an important aspect of post-merger integration that has received too little attention in prior research (Haspeslagh and Jemison, 1991; Vaara and Monin, 2010). Although the Air France- KLM merger has unique features, we believe that the key dynamics also characterize post-merger integration processes in other contexts. Figure 2 below provides a summary of our model.

The production of norms of justice is a key part of management of meaning, as vividly shown by the overall "fairness" term, the "equality" rhetoric, and then its eventual replacement

FIGURE 2
Theoretical Model: Production, contextualization and consumption of justice norms in post-merger integration



with “balance” and “skills.” All this also involves sensehiding, in the form of deliberate choices as to what is not to be said. In this case, the very term “merger” was avoided for a long period because of the negative connotations that it could create, and later, the term “equality” came out of use. Our case also illustrates how contextualization is needed to make more concrete sense of the justice principles. This can take the form of exemplification, quantification, or framebreaking. Finally, organizational members interpret the norms of justice in different ways. The simplest form is internalization, in the form of following the principles in sensemaking and action. Our case also shows examples of distancing, where skepticism, irony, cynicism and negation can be seen as ways to reflect on the ‘justice game’ and its political implications. The final alternative, resistance, can take two forms: rational counter-argumentation and denunciation of fairness as hypocritical/ceremonial (Meyer and Rowan, 1977), as based on observed contradictions between talk and action. Caution should, however, be exercised when interpreting these results as other cases may involve other types of sensemaking. This is especially the case with employees where the actual patterns of sensemaking are likely to be far more complicated than we have been able to illustrate with this case analysis.

Our analysis also elucidates three types of dynamics in post-merger integration. First, the processes involve temporal dynamics. As vividly illustrated, the norms of justice and the way they are given sense to and made sense of change over time. This is not a trivial observation, but has important implications because it challenges conventional understandings of organizational justice according to which the norms are more or less universal and it thus suffices to focus attention on how the perceptions of justice vary over time. Our case analysis, however, shows how the norms themselves are socially constructed and renegotiated over time. Furthermore, these norms may be openly manipulated and be seen as a key part of management of meaning in M&A and other contexts.

Second, this analysis highlights dialogical dynamics in organizational sensemaking, i.e. how the processes of sensemaking are closely inter-linked. The point is that the various sensemaking processes are not independent processes but mutually constitutive processes where specific interpretations influence others (Boje, 2008; Tsoukas & Chia, 2002). As our case illustrates, top management’s framings were the bases for contextualization in business units and employees’ interpretations. However, these contextualizations and interpretations also greatly affected top management’s new plans and communications. It should also be noted that the dialogical

dynamics were not only triggered by intentional actions, but also unanticipated events and emergent interpretations had a crucial impact on subsequent sensegiving, -hiding, -breaking and -making.

Third, the processes also involve inherent dialectics in the form of tensions that characterize sensemaking (for analogous findings in the alliance context, see de Rond & Bouchikhi, 2004). An essential dialectic in top management's actions revolved around sensegiving and sensehiding (see also Vaara and Monin, 2010). More specifically, it was a question of balancing between communicating specific norms or to silence others. Similarly, in the business units, our analysis reveals a central dialectic in the form of sensegiving versus sensebreaking. That is, there was a key dynamic between explicit articulation (in the form of exemplification or quantification) of sensemaking frames and more or less deliberate framebreaking (see also Pratt, 2000). At the lower level of management and among the personnel, an essential dialectic then involved the internalization of the justice norms or then taking distance or resisting them (see also Pratt, 2000). The bottom line is that these dialectics form an essential part of the post-merger dynamics that easily passes unnoticed with more conventional linear views on integration (Haspeslagh and Jemison, 1991).

A single case offers limited opportunity to identify specific patterns of sensemaking. However, specific forms of sensemaking are likely to characterize specific phases of the post-integration process. As to top management, production of new norms was an important means to promote and push integration forward. Exemplification took place early in the merger, and pertained to network decisions with a highly symbolic meaning, but without a strong impact on jobs or operations. Hence, this form of contextualization seems to lend itself to a forceful communication of the meaning of abstract norms of justice at a stage when many employees wonder what to make of them. Quantification, in contrast, was employed in our case when the merger was already well under way. The managers responsible for integrating the marketing, network and sales functions of the business unit where this mechanism was employed needed to have concrete guidelines, given the strong impact of their decisions on jobs and careers. Hence, abstract principles were no longer seen as sufficient, and quantitative norms were formulated. This, if not approved, was at least tolerated by top management. We witnessed counter-intuitive framebreaking, finally, towards the end of our observation period. By this time management had recognized the need to go beyond overly simplistic norms and deliberately approved decisions

that went against expectations.

Our analysis highlights the ambiguous nature of justice dynamics. Ambiguity is generally associated with problems and challenges, and it is also easy to see how the ambiguous interpretations of justice created impediments to integration. However, ambiguity also serves an important role in mobilization stakeholders and gaining support (Macaulay, 1963). The enacted norms have to be flexible enough to be accepted by multiple stakeholders and modified by executives if circumstances so demand. Playing with ambiguity can serve to focus attention on integration activities and strengthen the power position of top managers as the ultimate authorities. And it is this very ambiguity that eventually triggers sensemaking activities.

Finally, our analysis demonstrates the political nature of these processes. Sensegiving and sensehiding are essential means for the political management of meaning. Exemplifying, quantifying and framebreaking all reflect and reproduce context-specific power relationships. In this sense, management of meaning can be very deliberate and manipulative (see for instance Greenberg and Wiethoff, 2001) – like robust action à la Médici (Padgett and Ansell, 1993). However, deliberate manipulations of justice norms increase the odds that employees perceive an increasingly loose coupling between talk and action.

CONCLUSION

Despite an increasing interest in justice in M&As (Hambrick and Cannella, 1993; Meyer and Altenborg, 2007; Zaheer et al., 2003), there is a paucity of knowledge about how justice norms are created and applied in such change processes. Our purpose has been to contribute to the development of a justice-based theory of post-merger integration that elucidates the social processes through which idiosyncratic norms of justice are made sense of and given sense to. Our analysis helps to advance understanding of the role of justice in post-merger processes in four ways.

First, the analysis shows that ‘justice’ should not be merely seen as an issue to be dealt with in the early ‘justification’ or ‘communication’ stages of M&As (Haspeslagh and Jemison, 1991), but is an ever-present part of decision-making in post-merger organizations. As our case vividly shows, post-merger integration seems to involve recurring sensemaking, -giving, -hiding and -breaking around norms of justice. These norms can be used to solve difficult issues – as is

evident from the widely spread notion of ‘merger of equals.’ However, specific norms not only enable, but also constrain further integration, and this may be the reason for the framebreaking decisions that we also witnessed. Second, our study demonstrates how norms of justice are indeed socially constructed in these ongoing processes. While previous research in this area has focused on perception of justice (Hambrick and Cannella, 1993; Meyer and Altenborg, 2007; Zaheer et al., 2003), our analysis shed more light on the very construction of the norms. This view opens up a myriad of questions of how exactly these meaning-making processes are managed. While our analysis has spelled out important aspects of these processes, there is a need to delve further into these issues in future research.

Third, our findings elucidate the dynamics of justice in mergers and acquisitions. In particular, our analysis focuses attention on three types dynamics: temporal dynamics in terms of changes in norms and their interpretations over time, dialogical dynamics in terms of the interrelatedness of actors’ sensemaking processes, and inherent dialectics in terms of tensions characterizing this sensemaking, -giving, -hiding and -breaking. Finally, our analysis underscores that sensemaking processes involve ambiguity and are inherently political by nature. There is much more to justice than what both researchers and practitioners tend to believe, and in a large post-merger organization such as Air France-KLM, justice norms are as complicated and open to negotiation and contestation as are the actual integration decisions.

Although we have focused on the M&A context, our analysis has implications for organizational justice. First, our analysis helps to better understand the socially constructed nature of norms of justice. Few studies have investigated justice longitudinally and captured how norms of justice are created, negotiated, accepted, and at times resisted (Ambrose and Cropanzano, 2003). By uncovering how managers frame justice, we acknowledge the political power that rests with them as potential norm setters (Fortin and Fellenz, 2008). By so doing, we challenge the ‘objectivist’ tradition, which to date has not focused its attention on the intentional management of meaning in this context..

Second, our analysis elucidates the crucial process of ‘consumption.’ It is often assumed that employees simply agree with managerial norms of justice – without acknowledging how these norms may be reinterpreted or even resisted. The ideological underpinning adopted by the organizational justice field is pro-management rather than employee-centered (Bies and Tripp, 2002). Yet, “even though there may be a significant overlap in the situations, outcomes and

antecedents of justice that are of interest to different stakeholders, there are no reasons to believe that managers and employees will have identical interests” (Fortin & Fellenz, 2008: 428). Our analysis demonstrates that justice consumption follows diverse patterns: employees will have to make sense of the norms shaped by management and their response will vary from the enactment of managerially espoused norms on the one hand, to the resistance of these norms, on the other.

Third, our analysis underscores the importance of context. To a significant extent, research on organizational justice has been a-contextual, and this may be partly due to a reliance on quantitative methods (Ambrose and Schminke, 2003: 295). In this study, we have observed that the same fairness principle is re-contextualized in different ways in the various business units of the same organization. Exemplification, quantification, and counterintuitive framebreaking are used in specific contexts to meet idiosyncratic issues and challenges. In scenario studies, Colquitt and Jackson (2006) have suggested that team context may affect the choice of justice norms that individuals within the team eventually apply. But we still know little about the influence of context on the choice of justice norms in a real-life context and our analysis can be seen as a first step in this direction. Similarly, the processes by which justice norms are created and appropriated have remained under-explored. As Ambrose and Cropanzano (2003: 266) aver: “despite the abundance of research, longitudinal examinations of fairness are notably rare. As a result, scholars have a good snapshot of justice at any one instance, but have relatively less knowledge about the unfolding effects of justice and injustice over time”. In a theoretical work, Greenberg and Wiethoff (2001) integrated a longer perspective into justice theory and included feedback loops in their model. However, to date, empirical findings had been scarce.

Finally, our analysis provides cues as to why organizational leaders would choose to behave fairly or unfairly. Organizational justice research has traditionally focused on reactions to fairness (reactive justice), but little attention has been focused on why individuals choose to behave fairly or unfairly (proactive justice). In a yet unpublished manuscript, Ambrose and Schminke (2006) suggest that four components strengthen our understanding of why individuals behave fairly: justice awareness; justice motivation; justice judgment; and justice character. While our analysis has not followed this model to the letter, we have provided evidence that justice awareness and justice motivation did indeed play a crucial role in the founding decision to deem ‘fairness’ the governing principle of the Air France-KLM combination. Good intention, however, does not necessarily result in fair actions. Justice character is as crucial, and this refers to the perseverance,

strength of conviction, courage, and implementation skills to follow through with the intention to do the fair thing. In the case of Air France KLM the consistent attention to this principle of both CEOs, Spinetta and Van Wijk, appears to have been an important factor. Analyses of justice character are lacking in justice literature, however, and this is a major challenge for future research, not least in merger and acquisition settings.

The limitations of our analysis should be taken seriously. This case has unique features, and any specific framings or issues may or may not be found in other cases. In particular, the role of justice may have been accentuated more than in other cases of international M&As. Our findings need to be compared with cases from other industries and national settings, and other types of mergers (Haspeslagh & Jemison, 1991). Furthermore, there is a need to go further in the analysis of the micro-level discursive processes underlying the more general patterns uncovered in this paper.

**UNDERSTANDING M&A PROCESSES: HOW TO MANAGE ORGANIZATIONAL
IDENTITY CHANGE**

ABSTRACT

Studies of strategic change processes tend to focus on managers, while the question how employees from a variety of functional areas and hierarchical levels respond to a fundamental organizational change receives less attention. This paper increases our understanding of bottom-up M&A change processes by examining how various groups of employees at KLM came to collectively make sense of and manage the organizational identity changes they saw taking place as part of the merger with Air France. In our study we look much more in detail at how different groups of employees make sense of their merger experiences than has been the case in most previous studies. In doing so, our study helps to understand why some members of organizations are more inclined than others to engage in behaviors that benefit the organization. Our analysis aims to contribute to the articulation of a more complete theory of employee identity responses to strategic organizational change.

¹ This chapter is the result of joint work with Niels Noorderhaven and Kevin Corley.

INTRODUCTION

Over the last decades much research has been conducted on the relationship between strategic change and firm performance (Zhang & Rajagopalan, 2010). An important but often neglected aspect of this relationship is how employees respond to strategic changes (Gioia & Thomas, 1996; Gioia, Thomas, Clark & Chittipeddi, 1994; Piderit, 2000). If employees do not “buy in” successful realization of a strategic change becomes very difficult.

One key form of fundamental strategic change is a merger or acquisition (M&A); that is, change that disrupts the taken-for-granted boundaries of the organization. This type of strategic change threatens the existing organizational identity (i.e. the collective answer to ‘who are we as an organization?’), which represents a critical determinant of employee buy-in to the change (Clark, Gioia, Ketchen & Thomas, 2010). Unfortunately, employees often find themselves having to cope with changes to organizational identity without the guidance of top-down change programs (Anteby & Wrzesniewski, 2007). Moreover, firms that are involved in M&As (and strategic change processes in general) consist of different departments and occupational groups, each with their own specific characteristics that can influence organizational identity perceptions (Glynn, 2000).

Although what happens to the organizational identity in an M&A context is likely to be important, the extant literature on both M&A implementation and organizational identity change has only begun to provide insights into this issue, and almost exclusively from a top-down perspective; that is, from the perspective of formal change management attempts driven by the executive level (e.g., Corley & Gioia, 2004; Clark et al., 2010). This “executive bias” in prior research means we do not have as complete of a theoretical grasp on the M&A integration process as possible, nor are we in as good of a position to provide guidance to practicing managers in M&A active firms as we should be. Because bottom-up change processes are increasingly managed in emerging and democratic ways (Piderit, 2000), there is a need to understand M&A induced identity change from the perspective of those living the integration most intimately. Furthermore, depending on the post-M&A integration process chosen, challenges to existing identities may vary between organizational units (Panchal & Cartwright, 2001; Brannen & Peterson, 2009). This is likely to make identity processes both more complex and more important (Alvesson & Kärreman, 2007; Covin, Sightler, Kolenko & Tudor, 1996). Finally, because “employee responses to change may evolve over time, and paying attention to

this evolution might yield insights about how to manage change initiatives successfully” (Piderit, 2000: 791), it is essential that empirical efforts at studying this phenomenon be able to capture the dynamics of change longitudinally.

The purpose of our current study, centered on the acquisition of the KLM airline by Air France, is to provide a theoretical basis for understanding bottom-up M&A change processes. The AF-KLM acquisition is an example of a strategic change that was not accompanied by intensive top-down planning around identity change; the identity sensemaking activities that KLM employees undertook can be seen as spontaneous responses of employees to the identity-threatening event of the acquisition. Our empirical focus was on the incidence of different identity responses at a given point in time, but also in changes in identity responses over time. By examining how various groups of employees at KLM came to collectively make sense of and manage the organizational identity changes they saw taking place as part of their merger with Air France, even though there was no formal change attempt by the management of either company, we aim to contribute to the articulation of a more complete theory of employee identity responses to strategic organizational change. We believe that to understand this we need to look much more in detail at how different groups of employees make sense of their merger experiences than has been the case in most previous studies.

The remainder of this paper is organized as follows. In the section below we review the literature that provided our theoretical point of departure. The following section then describes our research setting, data collection procedure, and analytical methods. Subsequently we describe our inductive findings, which lay the groundwork for understanding our emergent model of employee identity responses to strategic organizational change. We conclude the paper by postulating the main theoretical and managerial implications of our study and by suggesting some interesting future research directions.

ORGANIZATIONAL IDENTITY RESPONSES DURING POSTMERGER INTEGRATION

In the section below we develop our research questions by drawing on previous studies on mergers and acquisitions, identity, and sensemaking.

Organizational Identity in M&As

Mergers and acquisitions are prominent strategies for many companies (Makri, Hitt & Lane, 2010) and M&A activity has run at unprecedented levels over the last decade (Barkema & Schijven, 2008). As several researchers have indicated, however, most M&As are not successful (Dyer, Kale & Singh, 2004; Goold & Campbell, 1998). Scholars, especially those in the strategy field, increasingly contribute poor M&A performance to issues that arise during the integration phase (Cording, Christmann & King, 2008). Hence it is no surprise that the topic of postmerger integration has received increasing attention in the past decade (Homburg & Bucerius, 2006). More specifically, the literature has steered towards investigating human factors during post-merger integration processes (Cartwright & Cooper, 1993; Birkinshaw, Bresman & Håkanson, 2000; Cartwright & McCarthy, 2005). One important focus in the post-merger integration phase of organizations is an organization's identity (Zaheer, Schomaker & Genc, 2003). Organizational identity not only provides an underlying base from which strategy is developed (Corley, 2004; Olins, 1978; Van Riel, 1995), it also provides a relatively stable foundation upon which employees can establish their own identities at work (Pratt, 1998; Dutton & Dukerich, 1991) and build the relationships that enable the practice of work to be accomplished (Nag, Corley & Gioia, 2007). M&As are likely to challenge existing organizational identities, and the extent to which employees are capable of restoring old organizational identities or constructing new ones will greatly influence their responsiveness to the merged or acquired firm (Fiol & Huff, 1992). Consequently, "the success of strategic change efforts depends not only on the organization's ability to undergo a significant shift in direction, vision, and values, but also on...[employees' ability] to understand and accept a new conceptualization of the organization" (Gioia et al., 1994: 363).

Just as organizational identity is a key factor in M&A integration processes, mergers and acquisitions are an ideal setting for studying organizational identities. Albert and Whetten (1985) argue that in times of considerable change (e.g., because of a merger or acquisition) organizational identities become particularly salient. Moreover, as Dutton, Dukerich and Harquail (1994) indicate, employees will especially be able to articulate the identity of their organization when faced with radical discontinuities, as in the case of a merger or acquisition.

Unfortunately, the literature on fundamental strategic change (e.g., M&As) and its consequences for organizational identity falls short on three accounts. First, empirical studies

examining strategic organizational identity change pay little attention to spontaneous bottom-up identity responses of employees, and focus instead on research settings in which the organization deliberately aims to accomplish a change in its organization-level identity. For example, in Gioia and Thomas' (1996) study of a strategic change effort at a large public research university, the top management team presented an alternative perspective of what the organization could be to destabilize current perceptions of the organization's identity and to create support for the desired strategic change effort. In a similar way, Fiol (2002) examined an intentional identity change effort where leaders are consciously attempting to implement changes. Finally, Clark et al. (2010) studied top management teams from two merged organizations and found that a purposefully crafted transitional identity can facilitate the organizational identity change process in the context of a major interorganizational change.

Second, there are few contributions that look at processes of organizational identity sensemaking. Importantly for our purposes, Corley and Gioia (2004) looked at sensegiving processes in a subtractive strategic change context. They find that the occurrence of a spin-off leads to identity ambiguity, creating an identity "unfreeze" period which forms the change context in which organizational leaders employ identity sensegiving activities, ultimately leading to the emergence of a new organizational identity. However, we believe that organizational identity change can also be an unintended by-product of an organizational change.

Finally, although some studies have focused on dynamic aspects of identity formation and change in an M&A context (Russo, 1998; Dukerich, Golden & Shortell, 2002), systematic analyses of social psychological processes using a longitudinal approach have rarely been done (Amiot, Terry & Callan, 2007; Fugate, Kinicki & Scheck, 2002; Gleibs, Mummendey & Noack, 2008 are notable exceptions). In fact, there have been several calls for acknowledging the time-varying nature of post-merger integration processes (Haspeslagh & Jemison, 1991; Seo & Hill, 2005; Cartwright & Schoenberg, 2006; Gleibs et al., 2008).

In sum, there has been much emphasis on sensegiving activities by top management, and a lack of attention to bottom-up organizational identity sensemaking by employees, in particular for additive strategic change such as a merger or acquisition. Hence there is a need for a more generalized dynamic theory of organizational identity responses to strategic change, and in this paper we aim to contribute to the articulation of such a theory.

Identity Process Theory

The starting point for our study, next to the few available studies of organizational identity processes during strategic change, is Identity Process Theory (IPT) developed by Breakwell (1986; 1993). According to IPT an organizational identity is a dynamic social product of the interaction of internal (mental) and environmental (social) processes. In a changing environment, people constantly reconstruct their identity in order to uphold a sense of continuity, distinctiveness and self-efficacy.

IPT emphasizes the importance of agency in identity reconstruction processes, in other words, individuals actively engage in sensemaking activities concerning their identity, when important changes in the social environment occur. Drastic changes in the social environment may make it difficult to keep pace in reconstructing one's identity, which leads to an experience of identity threat. An acquisition is likely to constitute such a threat to employees of the acquired organization: continuity of their organizational identity is disrupted, the distinctiveness of the old organization disappears, and the fact of being acquired is a blow to the sense of self-efficacy. All this may lower self-esteem, in as far as connected to organizational identity.

IPT further focuses on active coping strategies that individuals employ when confronted with an identity threat. Coping strategies can aim to remove from the social context those aspects that generate threat; can aim to move the individual into a new social position which is less threatening; or can aim at the revision of identity structures, on the content or value dimensions, which enable the identity processes to operate again in accordance with the principles of continuity, distinctiveness and self-esteem (Breakwell, 1986: 79).

Up until now IPT has few applications in an organizational context. The bulk of studies focus on macro-social changes in which the identities of minorities and ethnic groups play an important role. In a rare sensemaking study applied to an organizational context, Elsbach and Kramer's (1996) found that organizational members prominently use affirmation and sensemaking processes in response to an identity threat. In other words, "members can attenuate or mitigate organizational identity threats simply by making salient other legitimate and competing dimensions along which the organization should be evaluated or construed" (Elsbach & Kramer, 1996: 466).

We expect that it is more likely to find different identity responses, even within a single strategic change process, if bottom-up organizational identity sensemaking is studied, than when

the focus is on top-down sensegiving activities (as in most extant studies), for two reasons. First of all, an organizational change like an acquisition is likely to mean different things to different individuals and departments (Covin et al., 1996; Glynn, 2000; Alvesson & Kärreman, 2007; Brannen & Peterson, 2009). Panchal and Cartwright (2001), for example, conclude in their study that there are significant differences in the sources and effects of stress experienced by different groups of employees. Secondly, organizational identities are likely to be more fragmented and dispersed than commonly assumed in the identity literature (Sveningsson & Alvesson, 2003). Many studies of identity emphasize coherence and stability. However, it is far from self-evident that people have similar and clear beliefs about the attributes of an organization as a whole. Sveningsson and Alvesson (2003) therefore call for more in-depth studies of identity construction in which context, complexities and processes of identity construction can be openly discussed.

A Sensemaking Perspective

The starting point for our study, next to the few available studies of organizational identity processes during strategic change, is sensemaking theory. While sensemaking may be defined and understood in different ways (Weick, 1995), in our interpretation sensemaking is a continuous interpretative activity. Such sensemaking includes purposeful sensegiving (Gioia & Chittipeddi, 1991). In other words, leaders can promote and renew clarity about the organization's identity according to a 'sensegiving imperative' (Gioia & Chittipeddi, 1991; Fiol, 2002). In effect, as we indicated earlier, most empirical studies examining organizational identity change focus on research settings in which the organization aims to accomplish a change in its organization-level identity. However, in our perspective a view of sensemaking processes as only reacting to managerial sensegiving initiatives would be incomplete.

This is illustrated by our case study. Top management of Air France-KLM emphasized that both companies in the merger should maintain their own identities. Although this could also be seen as a sensegiving attempt, it does not constitute a planned identity change. All the same, we argue that employees need to engage in sensemaking and interpretation efforts both in response to the top management claim that the identities (should) remain unaltered and to their own experiences of what happens after the acquisition, as well as the effect of the acquisition taking place at all (in particularly at the side of the acquired firm). The resulting dynamics of sensegiving and sensemaking may be expected to be even more complex as they involve not

predominantly the responses to univocal top management identity claims, but also the reactions to specific post-acquisition experiences of multiple organizational actors at different hierarchical levels and in different units and locations.

Much of the theorizing in the field of M&A processes and organizational identity change has tended to homogenize collective identities by emphasizing what is common or shared (Brown, 2006). However, we then fail to capture the, sometimes competing, hegemonic claims of different units within the organization. We expect that it is more likely to find different identity responses, even within a single strategic change process, if bottom-up organizational identity sensemaking is studied, than when the focus is on top-down sensegiving activities (as in most extant studies), for two reasons. First of all, an organizational change like an acquisition is likely to mean different things to different individuals and departments (Covin et al., 1996; Glynn, 2000; Alvesson & Kärreman, 2007; Brannen & Peterson, 2009). Panchal and Cartwright (2001), for example, conclude in their study that there are significant differences in the sources and effects of stress experienced by different groups of employees. Secondly, organizational identities are likely to be more fragmented and dispersed than commonly assumed in the identity literature (Sveningsson & Alvesson, 2003). Many studies of identity emphasize coherence and stability. However, it is far from self-evident that people have similar and clear beliefs about the attributes of an organization as a whole. Sveningsson and Alvesson (2003) therefore call for more in-depth studies of identity construction in which context, complexities and processes of identity construction can be openly discussed.

A narrative approach allows us to constitute the collective identities by the narratives that informants author about them, and it is quite likely that different groups within one organization will tell different stories about themselves and the organization in which they are embedded (Humphreys & Brown, 2002). For instance, Elsbach and Kramer (1996) found that organizational members prominently use affirmation and sensemaking processes in response to an identity threat. The narratives those employees used to make sense of and convey sense to others about the threats varied based on the specific group-level context in which the threat was recognized. Because these group-level differences in identity change sensemaking have remained relatively understudied over the years, we chose to focus on two organizational units that each had a different understanding of what the merger meant to them and, in light of these differences, approached the management of the organizational identity changes they saw taking place as part

of their merger with Air France differently.

The research questions that we aim to answer with our empirical study can be summarized as follows: *How do different groups in a company involved in fundamental strategic change (i.e., their firm has been acquired by another firm) collectively make sense of what the merger/acquisition means for “who we are” as an organization? Based on that collective sensemaking, how do different groups in a company involved in fundamental strategic change collectively cope with the organizational identity changes they see taking place as part of the merger/acquisition?*

METHODS

The merger between Air France and KLM was announced at the end of 2003, with the official merger occurring in May 2004. The case – formally announced as a friendly acquisition – soon became a historical landmark: it was the largest merger for the airline industry in terms of the size of the companies (turnover 13 + 7 billion Euros) and their number of employees (72,000 + 30,000), and, most importantly, the first major international merger in the industry. We gained access to the case after the merger plans had been announced through direct contact with the Air France CEO Jean-Cyril Spinetta. Our data collection began shortly after the completion of the merger and covered a period of approximately three and a half years.

Sample and Data Collection Procedure

We relied on interviews as the main source of data. We conducted over 300 semi-structured interviews in the acquired company (i.e. KLM) between September 2004 and January 2008. Table 1 provides the quantitative details of the interviews, broken down by functional areas and timing.

To limit bias we interviewed numerous knowledgeable informants who viewed the integration process from diverse perspectives (Eisenhardt & Graebner, 2007). These informants came from a variety of hierarchical levels and functional areas within KLM. We believe that our focus on employees from a variety of hierarchical levels is a necessary complement to the tendency in published research to focus on high-level managers (see for instance, Corley & Gioia, 2004; Pratt & Foreman, 2000). Avoiding such a bias is important because, as shown by Anteby and Wrzesniewski (2007) and Corley (2004), identity perceptions may differ between

TABLE 1
Distribution of Semi-structured Interviews by Functional Area and Period

Functional Area	Interviews broken down by phase					
	Time 1 (2 nd half of 2004)	Time 2 (1 st half of 2005)	Time 3 (2 nd half of 2005)	Time 4 (1 st half of 2006)	Time 5 (2 nd half of 2006)	Time 6 (2 nd half of 2007)
Policy interviews	12	9	7	2	4	2
Corporate Staff	9	10	12	11	12	13
E&M	5	5	4	4	4	6
Cabin Crew	4	3	3	3	2	3
Ground personnel	3	3	3	3	3	4
Outstations	10	16	17	20	18	19
Cockpit crew	-	2	3	3	-	4
Cargo	-	-	6	5	5	6
Total	43	48	55	51	48	57

upper- and lower-level organizational members.

We began by interviewing top managers not only because they were our point of entry into the organization, but also because they play an important role in the strategic aspects of a merger (Corley & Gioia, 2004). These managers acted as key informants (Kumar, Stern, & Anderson, 1993) who were able to recommend additional informants throughout the hierarchy. In total, 36 top managers were interviewed, while a total of 266 lower managers and non-managers were interviewed. The average duration of the interviews was about 60 minutes. All interviews were audio taped and transcribed verbatim before being subjected to qualitative analysis. We conducted the interviews in Dutch and English, depending on the mother tongue and language skills of the interviewee.

In these semi-structured interviews we followed a story-telling approach (Czarniawska, 2004): employees were able to tell their own narratives and their interpretations of key issues and events. With this approach we could zoom in on collective organizational sensemaking processes and compare the different interpretations of the people representing different parts of the organization.

For the purposes of this paper, we theoretically sampled those interviews which were relevant to understand employees' sensemaking processes about what the merger/acquisition meant for "who we are" as an organization. In particular, we focused on two cases (i.e. organizational units). First, we focused on Headquarters (where employees are in the front-end regarding strategic decisions but for whom actual integration remains far away from their own jobs). The second case involved the European Outstations (where employees are actually 'living the merger' in their daily jobs, but have a very limited view of the overall decisions concerning the integration).² Our intention in conducting such a multiple case comparison was to provide robust, generalizable, and testable theory (Eisenhardt & Graebner, 2007). To identify patterns of identity responses over time, we further analyzed the subsample of interviews that were repeatedly conducted with 24 employees at Headquarters and European Outstations.

Our other data sources included a substantial range of documentation, including published articles, company magazines, internal company documents, and newspaper and magazine reports. These data sources were used to help in the interpretation of our findings, for triangulation and

² We will use interview quotes from different groups of employees, also outside of Headquarters and Outstations, to corroborate and illustrate our emergent findings.

for gaining additional perspectives on key events and issues (Miles & Huberman, 1994). The level of analysis in this study is the collective perception of the organization's identity as perceived by the two different groups in the organization.

Analysis

To analyze collective sensemaking patterns in more detail, we used a narrative approach (Brown, 2006). As discursive constructs, collective organizational identities acquire meaning through networked identity narratives. Studying these narratives leads to an understanding of collective identities that does justice to the diversity inherent to large-scale strategic change. First, we performed a careful qualitative analysis of the interview material. We elaborated a coding scheme that helped us to identify specific categories of collective sensemaking. Following the method exemplified by Corley and Gioia (2004), we began by identifying first-order codes (i.e. language used by the informants), illustrated with simple descriptive phrases or quotes. Next, we searched for relationships between and among these categories, which facilitated assembling them into higher-order themes. Finally, we gathered these second-order themes into phases in the sensegiving/sensemaking process that make up the basis of our emergent framework. The final data structure is illustrated in Figure 1.

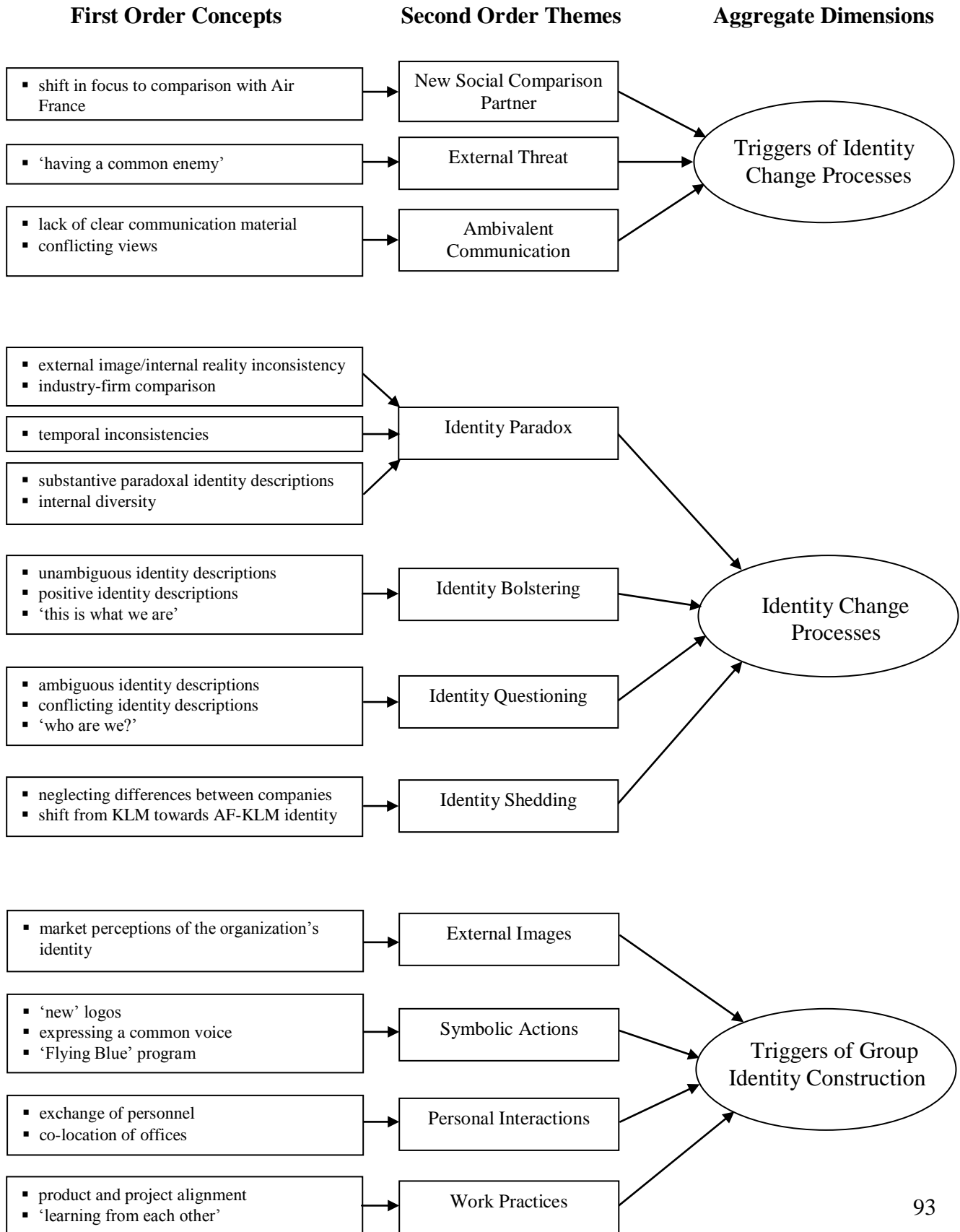
Our qualitative data analysis followed an inductive, iterative approach of moving back and forth between our data, existing literature, and the emerging theory (Glaser & Strauss, 1967; Eisenhardt, 1989). In other words, our techniques formed a “recursive, process-oriented, analytic procedure” (Locke, 1996: 240) that continued until we had a clear grasp of the emerging picture.

Finally, Appendix 1 outlines the steps we took to ensure the validity of our research design. Gibbert, Ruigrok and Wicki (2008) have offered a useful guide to evaluate the rigor of case study research (see also Arino & Ring (2010) for an application). They discuss several procedures associated with construct validity, internal validity, external validity, and reliability. Appendix 1 offers accounts of these procedures and how we dealt with them.

FINDINGS

We now move towards a description of our findings. First of all, we describe the paradoxes surrounding the KLM identity. These paradoxes preceded the acquisition by Air France, but formed the material for subsequent identity responses. The two most important responses we

FIGURE 1
Structure of the Data



observed went in opposite directions: ‘identity bolstering’ and ‘identity questioning’. In a later phase of the merger the construction of a new Air France-KLM identity could be witnessed.

Identity paradox

The first strong theme that emerged from our analysis was indicative of an identity paradox, or apparent contradictions about who KLM was. Quite frequently one and the same employee mentioned seemingly opposing characteristics when asked what kind of company KLM is. Many also recognized these themselves, and talked about “paradoxes” and “contradictions”.

Looking more in detail at the statements expressing KLM identity paradoxes we recognized three different subthemes (see Figure 1). First, we discerned inconsistencies between the external image and the internal reality. These inconsistencies seem to be rather sector-specific, as in the still recent past the airline industry was characterized by a certain glamour, while this glamour was seen to be absent within the firm. Secondly, we identified temporal inconsistencies. In some cases employees indicated that the company has a different identity today than it had in the past.³ More interesting, and probably also more indicative of KLM’s unique identity, was the observation that KLM has the capability of changing its identity over time, in response to threats from the environment. Most frequent were the paradoxes regarding the substantive identity of the company. Interviewees described KLM as being (among other things) bureaucratic, conservative, hierarchical, old-fashioned, and Dutch, while at the same time also being entrepreneurial, empowered, innovative, and international. Apart from changes over time these substantive inconsistencies in KLM’s identity were mainly ascribed to the internal diversity of the company: “you actually have several companies united into one company” (Employee, May 2005).

Interestingly, the roots of these identity paradoxes did not stem from the merger itself, but were, paradoxical in its own right, both heightened by and mitigated by the merger announcement. On the one hand, the merger made perceptions of organizational identity more salient for both managers and employees and, thus, brought to light paradoxes and contradictions seen as long-standing characteristics and already existent before the merger with Air France. Contrarily, explicit comparison with Air France tended to mitigate the paradoxical identity of KLM as individuals shifted their view from the inconsistencies underlying the paradoxical

³ This type of observation does not really constitute a paradox since all organizations change over time, and in many cases employees are nostalgic about a past organizational identity.

identity to the consistencies and inconsistencies between the two organization's identities.

We recognized three different responses of employees to these identity paradoxes. For some they formed an impediment to organizational identification ("on the one hand I am very proud of the company, on the other hand I curse them"), or made it impossible to make sense of the company's identity (KLM as an identity ... I think it's very difficult"). On the other hand, the fact that KLM does not have one single identity made the company attractive to others. It enables them to experience diversity in their working life without ever leaving KLM:

"I like it. Every Division has its own dynamic and its own culture. You always take something with you if you move from one division to the other, but still, you continue to work for the same company." (Employee, December 2007)

But most people who recognized the paradoxes, contrary to what theory regarding paradoxes suggests (Lewis, 2000), seemed to sense no conflicting emotions or confusing perceptions. And, importantly, our informants rarely pushed their contradictory identity descriptions to the point of expressing identity ambiguity (Corley & Gioia, 2004) or identity conflict (Pratt & Foreman, 2000). Our informants recognized that multiple descriptions of 'who we are as KLM' co-existed simultaneously, but this did not (yet) prevent them from having a clear sense of the organization's identity (as occurs with ambiguity or conflict).

According to Lewis (2000) paradoxes rarely survive for long, as individuals attempt to reconcile the opposing sides. We found a more complicated pattern instead. On one hand, as our data collection stages progressed, we observed these paradoxical feelings and perceptions begin to morph into more recognizable states of ambiguity and conflict (at Headquarters), as well as a new theme of bolstering (at European Outstations).

Identity bolstering

For many employees (in particular at European outposts and to a lesser extent for people at Headquarters) we observed that the paradoxical nature of KLM's identity formed the substratum for a particular type of response to the merger with Air France. We call this response "identity bolstering" (cf. Haigh & Pfau, 2006), to indicate a process in which an identity becomes less ambiguous and more positive (Ethier & Deaux, 1994). One interviewee expressed this as follows:

“It’s a company with one face, saying to the world: This is what we are and this how we should be looked at. It’s a company with an own identity. There is no place for a middle course.” (Employee, June 2005)

This identity bolstering process was triggered by the presence of a new social comparison partner. This social comparison mechanism implies that the interviewee still sees the paradox, but puts more emphasis to the positive side.⁴

In many other cases the positive characteristics that are often accompanied by their counterparts when speaking about the KLM identity, are mentioned more simply as typical for KLM: “decentralized”, “empowered”, initiative taking”, “flexible”, “open-minded”, etc., without mentioning the opposite characteristic.

Although the two departments we focus on (i.e. Headquarters and Outstations) clearly show evidence of identity bolstering we observe differences over time. Whereas employees at the European Outposts already in the first two rounds of data collection speak of unambiguous and positive identity characteristics in relation to Air France, it is not until two years after the completion of the merger before employees at Headquarters are able to ‘narratize’ this process. To understand these differences we need to take into account the different merger experiences of these two groups. Employees at the Outstations feel the impact of the merger on their daily jobs from day one. At the European Outstations, this identity bolstering process through comparison with Air France also appeared to be linked to a strong identification with KLM, in spite of the paradoxical nature of the KLM identity. An employee (May, 2005) who compared KLM with Air France, for instance, said:

“I have met quite a few sales colleagues from other outstations around the world. Most of them actually have a great pride to work for KLM, and I have, I mean I must admit [...] I do have that pride as well.”

Hence, we observe that KLM employees who have a strong attachment with the company (partially) resolve the KLM identity paradox through a favorable comparison with Air France, which leads to a bolstered KLM identity.

⁴ The comparison with Air France also refers to the comparison of the Dutch and the French culture. Another important point to note is that the privatization of Air France took place a long time after KLM was privatized.

Conversely, at Headquarters people do not experience much of the merger with Air France in their daily jobs. Instead of collectively making sense of the merger we observed a different response pattern in the beginning of the postmerger integration phase for employees at Headquarters.

Identity questioning

This second pattern we observed in the interviews can be dubbed “identity questioning” (cf. Brown & Starkey, 2000; Pals, 2006). Individuals are likely to engage in ‘deparadoxification’ in order to resolve existing paradoxes but the existence of a paradox does not automatically result in change (Fiol, 2002). According to Corley and Gioia (2004: 173) identity ambiguity implies “multiple possible interpretations about which core features should define the changed organization”, eventually leading to a sense of unarticulated identity. On the other hand, identity conflict refers to multiple organizational identities vying for preeminence or privilege, in which any could viably serve as a collective answer to the question ‘who are we’ but no two are mutually compatible. So KLM is seen as “dynamic”, but also as “conservative”, as both “hierarchical” and “not-hierarchical”, as “Dutch” and as “international”.

Both identity ambiguity and identity conflict could be regarded as questioning ‘what the identity of KLM is really about’. Our empirical analysis identified one main cause for organizational members’ shift from a feeling of identity paradox to identity questioning, namely, a lack of clear communication. Surprisingly, at KLM, top management was aware of the ambiguous nature of their communication material. A further important note here is that this state of ‘identity questioning’ seems not to hold for every (hierarchical) part of the organization.

“At the top of the organization everything is ok, but if we go somewhat lower then you see it’s crunching. People ask themselves: What is this collaboration about?” (Manager, December 2004)

We also found our interviewees to engage in identity questioning when the experience of the KLM identity paradox was accompanied by taking a certain distance to the company, an absence of explicit strong identification. In contrast to the strong identification with KLM at the European Outstations, this is a feeling that we found among many employees at Headquarters:

“We are not so blue compared to people working at Schiphol. It’s quite logical. You are far away from it. Well, sometimes you see a plane flying over but that’s it.” (Manager, May 2005)

Employees who felt that the merger had a large impact on their daily job (e.g., at Outstations) tended to be less able to articulate the organizational identity of KLM in later phases of postmerger integration. Yet, almost instantaneously, an Air France-KLM group-level identity started to emerge (as discussed below).

For employees at Headquarters we also noticed that the state of ‘identity questioning’ could revolve in the perception of external threat. This mechanism is well known from social identity theory (Ashforth & Mael, 1989; Tajfel & Turner, 1986) and self-categorization theory (Turner, Hogg, Oakes, Reicher & Wetherell, 1987), and has been observed in empirical studies of M&As (e.g., Gaertner, Bachman, Dovidio & Banker, 2001). Even when they lacked a strong sense of identity prior to the merger, organizational members will express organizational identities in a pronounced way by overstating perceived differences between the firms (Empson, 2001). The introduction of a new and threatening “outgroup” leads to positive stereotyping of the own group, and negative stereotyping of the other group. In other words, having a common enemy unites. This process resulted in less ambiguous and more positive organizational identity perceptions, eventually leading to the process of identity bolstering. Interestingly, we do not see this mechanism at work for employees at the European Outstations.

The two different patterns (i.e. identity bolstering and identity questioning) that we found as a response to the identity-threatening event of an acquisition are also associated with different behavioral and attitudinal postmerger integration outcomes. The identity bolstering process at the European Outstations is clearly followed by positive postmerger feelings. Not only do we see evidence of increased identification with KLM, there is also an increase in willingness to cooperate to make the best out of the merger. As one of our informants said: “I do everything for the company. It’s a natural thing to do I think” (Employee, January 2006). Moreover, there is very low turnover intention. In contrast, at Headquarters we see some people developing negative sentiments due to the expected strategic decisions of the company. The identity questioning process also led to decreased organizational identification and questions about the actual outcomes of the merger.

Construction of an AF-KLM identity

In the first rounds of data collection it was difficult for organizational members to make sense of an Air France-KLM group-level identity. We often heard the following statements from our informants: “You bring two companies together with their own norms and values, but the new company isn’t there yet” (Manager, November 2004). In the final data collection stages, however, people at KLM began to develop such an ‘overarching’ group level identity. As an employee told us:

“To be honest I get this AF-KLM feeling. If you watch television and you hear something about Air France it does something to you, much more than if you would hear something about Lufthansa.” (Employee, January 2007)

The observed pattern in our qualitative data analysis illustrates that expected job and identity changes, as well as experienced job changes (i.e., strong integration), are consistently associated with the construction of a new AF-KLM identity. As a result of the different merger experiences of the different groups of employees, we observe the process of construction of an AF-KLM group identity at Outstations earlier in the postmerger integration process than at Headquarters.

Identity shedding

In looking at the construction of an overarching AF-KLM group identity we also observed the emergence of a new theme, which we call ‘identity shedding’. Some informants seemed to shift from the KLM identity to an Air France-KLM identity very easily, as if changing coat. This “identity shedding” sometimes occurred in a forced fashion where employees neglected the differences between both companies. For another category of employees, in contrast, identity shedding seemed to be a much more natural process. In the Outstations, these were (mostly young) employees who either had not worked very long for KLM before the merger took place, or were hired after the merger.

“I’m proud to work for both airlines [...] I am hired to serve both airlines. Maybe it will irritate my colleagues from KLM [...] One without the other is less sexy.” (Employee, June 2006)

In the case of this second category we can hardly speak of identity *change*; for these employees the Air France-KLM identity is more authentic than that of KLM. In contrast, we felt authenticity was more dubious in the case of KLM “old hands” who expressed an almost instantaneous commitment to the new Air France-KLM group identity.

Moving towards the Air France KLM identity

Interestingly, at Headquarters we found that some employees at KLM also underwent the process from an identity questioning context to the development of a group level identity. Three main causes seem to be important in this regard. First, top management used symbolic actions to create a sense of belongingness to the AF-KLM group. Moreover, these symbolic decisions propelled the integration process to a new phase. At the European Outstations there were already strong integration efforts made to create a kind of AF-KLM ‘we-feeling’. There was a co-location of Air France and KLM offices and people from both companies communicated face-to-face on a daily basis. However, in the final stages of our data collection procedure we often heard our informants at Headquarters talk about the alignment of working practices. As a manager (December, 2007) pointed out:

“We look through an Air France-KLM lens more and more. If we have to change certain routes we will look at the impact on Air France-KLM and not only whether it’s good for the KLM bottom line.”

It is interesting to note that whereas internal processes dominated the change process from an identity questioning context towards the development of a group level identity at Headquarters, external images appeared to influence the shift from identity bolstering towards the creation of an ‘overarching’ AF-KLM group identity at the European Outstations. These external images could be regarded as impulses coming from the environment ranging from ‘giving a good fight to competitors’ to customers asking ‘what the integration is really about’.

So far our analysis has concentrated on single interviews, meaning that a genuine longitudinal dimension has been lacking. However, twenty-four respondents at Headquarters and European Outposts have been interviewed more than once (in one case even six times) and at different points in time. This allows us to obtain some glimpses of the M&A change processes as these

have been experienced by individuals.

A manager, for instance, in repeated interviews gave evidence of having travelled the route through bolstering to the construction of a new, shared identity. In the first interview (November 2004) he compared KLM with Air France, in particular with regard to the position of outstations: “the big difference is that we have a lot more freedom”. However, this is not only seen as positive: “maybe we have moved a bit too far in that direction from time to time, we could go a bit in the direction of Air France”. A year later (December 2005) he makes the same comparison, but now KLM is seen in a more clearly positive light: “we have a lot of freedom. Air France is directed very vigorously from Paris. They are less empowered to make decisions”. In a subsequent interview (June 2006) this manager gave evidence of having started to bridge the gap between the two companies “what we have now achieved by moving in the same building would not have been possible if we had remained in separate offices [...] we are very slowly moving towards each other”. In our final interview (June 2007) he says that both parties now better understand each other: “we have more understanding for the Air France way of working [...] and Air France has more appreciation for our more cowboy-style of doing things, that after all also delivers good results”. In this case, the more intensive personal interactions associated with co-location helped to make the step from bolstering to the construction of a new shared identity. But we also see other mechanisms at work in our repeated interviews, in particular the effect of the external image. An employee in his first interview (June 2005) emphasized his strong identification with KLM. But in February 2008 he said “from the first of January I have started representing both airlines towards my travel agencies. So indeed I feel very much like this [i.e., Air France KLM]”.

Other repeated interviews illustrate the path from identity questioning to new identity construction: “are we, or are we not one company?” (Manager, November 2005), and “you see, time solves a lot of things. The situation has absolutely become pleasant. The teams work well together, some people work more smoothly together than others, but that has nothing to do with the companies, absolutely not” (November 2006).

Finally, in our analysis of repeated interviews we see some evidence of identity shedding. The first time we interviewed this informant, there was said: “what I try to do is to not see the difference anymore between someone from KLM and someone from Air France” (June 2006). What has been tried at that time appears to have become a reality in January 2008: “there is no

Air France, there is no KLM, it's the Air France KLM company". Interestingly, sometime later in the same interview our interviewee explicitly talks about "us" and "them", which makes us question to what extent people engaging in identity shedding may be leading themselves astray.

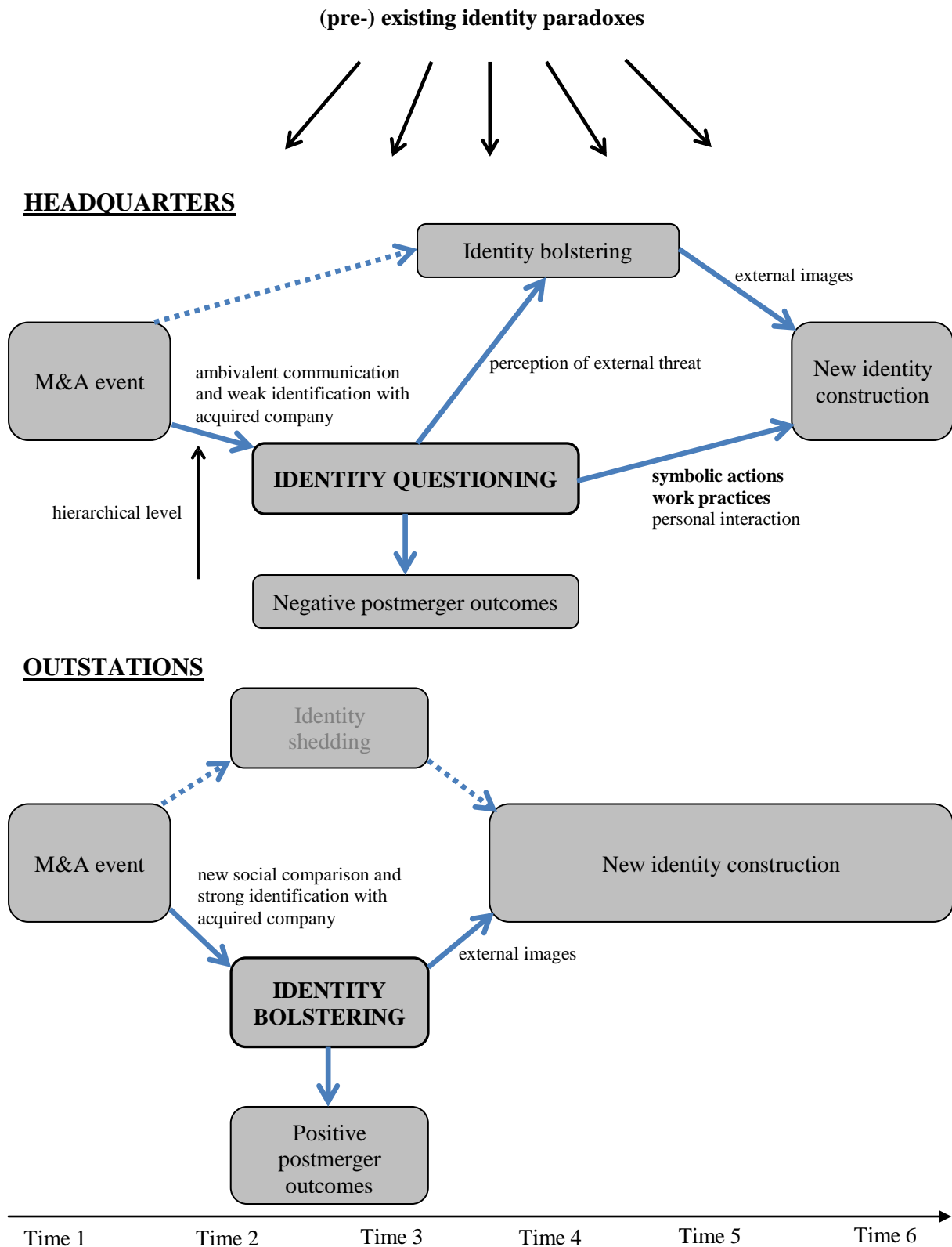
DISCUSSION

Our aim in this paper is to contribute to the articulation of a theory of bottom-up M&A change processes by examining how various groups of employees at KLM come to collectively make sense of and manage the organizational identity changes they saw taking place as part of their merger with Air France. Figure 2 illustrates the process by which organizational members in two different organizational units at KLM (Outstations and Headquarters) collectively made sense of the organizational identity changes they saw taking place as part of the merger with Air France.

As the extant literature on both M&As and organizational identity change offers few clues to bottom-up responses, we first of all explored the variety of identity perceptions of KLM employees involved in this merger. Exploring these secondary states and how our informants moved from identity paradox to either identity questioning (ambiguity/conflict) or identity bolstering provides the wherewithal to understand the merger integration experience within the AF-KLM merger.

Our multiple case comparison study shows that employees perceive multiple possible interpretations of the features that should define the organization. We distinguish between those KLM employees who bolster their previously more paradoxical organizational identity because of the new social comparison with Air France, and those who start questioning the KLM identity. The first category (i.e. European Outstations) either has a stronger identification with KLM to begin with, or are better able to maintain their identification during the postmerger integration process, than the second category (i.e. Headquarters). We can relate this to the different merger experiences of both groups. Whereas employees at the European Outstations are in the heat of the action and are actually 'living the merger', staff at Headquarters was concerned about the (strategic) implications of the merger for 'who we are' as an organization, but often did not have much opportunity to act in response to the merger. As Hatch and Ehrlich (1993: 505-506) note, "when environments are complex and changing, conditions are ripe for the experience of contradiction, incongruity, and incoherence and the recognition of paradox and ambiguity within organizations". We argue that this is especially true for (middle) managers in organizations who

FIGURE 2
Identity Change Processes after an Acquisition for Headquarters and Outstations



are concerned with the implementation of the strategic goals of the company. These people are more aware that the question what the merger or acquisition really brings about is hard to answer.

Sometimes the postmerger organization represents a higher-level identity and forms the structure through which conflict at the intersection of both premerger organizational identities is resolved (Shepherd & Haynie, 2009). In our study, we found a more complicated pattern instead. Gioia, Schulz and Corley (2000) already argued that a construed external image is of utmost importance in the change process of an organization's identity. Organizational members try to align the identity of the company with current (external) images. However, we only found this to be true for employees at the European Outstations. At Headquarters substantive and symbolic management tactics, among others, were used to increase employees' identification with the merged organization. Although this could help employees to get out of an identity questioning context, our study suggests that in an M&A in which the premerger organizations are largely preserved, it will lead to positive postmerger outcomes (through the identity bolstering process) if employees are given the opportunity to continue to look at their premerger firm as a source of identity. This implies that policies trying to de-emphasize identification with the premerger organization are not to be recommended.

Our narrative approach to collective organizational identity sensemaking also has important implications for practitioners. First, by conceptualizing organizational identity as a discursive construct we draw attention to the importance of language and communication in a strategic change process such as a merger or acquisition. In hindsight, top management at KLM recognized the ambiguous nature of their communication material. However, by this time the process of identity questioning had already started. This was of importance as the process of identity questioning was associated with less positive attitudes towards the merger. Secondly, our narrative perspective made it clear that there are multiple interpretations of the organization's identity. Not only are there differences in the sources and effect of stress within departments (Panchal & Cartwright, 2001), we observe that people from different organizational units cope differently with a merger or acquisition in terms of identity change processes. Hence, Brannen and Peterson's (2009) speculation about possible differences in attitudes as a response to strategic change efforts within particular departments is justified. We further hope our study clarifies that the management of multiple collective identities is a key task of strategic management.

The literature on organizational identity change also encourages more dynamic theorizing.

As Hogg and Terry (2000: 134) argue “one lacuna in social identity research on mergers is the temporal dimension”. Corley (2004: 1173) goes further by stating that “without consideration of the temporal aspects of identity formation, change, and maintenance, future identity research may miss out on critical insights and possibly even fail to remain relevant to the very organizations it intends to aid”. In our study we show that the identity change process as a result of a merger/acquisition is spread out over a longer time period for employees at Headquarters compared to their colleagues at Outstations. Furthermore, we see that employees at the European Outstations are able to construct a new group identity much earlier in the integration process. Again we should emphasize the critical role of clear communication and the use of external images in this regard.

We argue that extant social-identity based theories of M&As are overly schematic (e.g., Hogg & Terry, 2000). Most studies assume that if being in the lower-status position (i.e., being acquired) is seen as legitimate and/or boundaries are seen as permeable, individuals will disidentify from the “old” organization and identify with the other organization and/or the newly merged firm. In contrast, if the lower-status position is seen as illegitimate and boundaries are seen as impermeable, individuals would engage in social competition, and attempt to undermine the success of the merger. We show, however, that more nuanced responses are possible, and that these may over time lead to positive as well as negative outcomes.

Finally, our process model extends theories of sensemaking and change. Whereas previous research shows that management can create a more workable certainty that enables and facilitates change (Lüscher & Lewis, 2008), our analysis reveals that employees are in fact themselves able to resolve identity issues in a strategic change process. Our bottom-up perspective also contrasts with and complements previous research (Gioia & Thomas, 1996; Pratt & Foreman, 2000; Fiol, 2002; Corley & Gioia, 2004) that concentrates on cases where identity change is managed following a top-down approach, with intentional identity management initiatives dominating the change process. We encourage future theorizing to go beyond the past focus on top-down organizational change.

CONCLUSION

Identity experiences during an M&A go in different directions. Some employees feel ambiguity or conflict, as they feel uncertain about who they are as employees of their organization, or feel

that they have to reconcile opposing notions of the organization's identity. Other employees respond differently, and strengthen their original ideas about the identity of their organization. These different responses have divergent behavioral consequences, and hence are of considerable practical importance for human integration in M&As. These different identity responses are also associated with different sets of antecedents, hence learning about these antecedents is important for understanding and ultimately managing human integration in M&As. More specifically, in our case we notice that at Headquarters identity paradox in combination with the acquisition event caused employees to question their organizational identity. This process was associated with negative merger-related behavioral intentions such as lower willingness to cooperate and increased turnover intention. Over time, however, employees at KLM Headquarters moved to the construction of a new (Air France-KLM) identity. For some groups this phase directly succeeded identity questioning, for others, especially those perceiving an external threat, this was mediated by a process of identity bolstering. Employees at Outstations predominantly reacted to the acquisition with a process of identity bolstering, which was, perhaps unexpectedly, associated with positive merger behaviors. Much earlier than employees at Headquarters this group moved to the construction of a new Air France-KLM identity. The construed external image of the airline group played an important role in this shift. In some cases the identity bolstering phase was skipped, and we witnessed a direct move towards new identity construction ('identity shedding'⁵).

Of course our study is not without limitations. This case has unique features, and any specific framings or issues may or may not be found in other cases. In particular, the role of organizational identity may have been accentuated more than in other cases of international M&As and this could limit the generalizability of the study. We believe, however, that our findings clearly show that the type of integration process experienced importantly influences the identity change process after a fundamental strategic change and ultimately the strategic outcomes of this change. Moreover, our single case has provided a rich understanding of the different integration processes enacted at different departments. Hereby, we create a lot of

⁵ We have put the identity shedding category in dotted lines in Figure 2 because we feel insufficiently confident that this represents a genuine identity change process.

variance so that we are able to compare responses to different postmerger integration experiences.

Ideally, for gauging change in organizational identity perceptions at the level of *individual* employees, we should have interviewed the same informants in every time period. However, other considerations, such as overall representiveness for the selected employee populations across the six rounds and the fear of interviewee fatigue made us decide differently. In the end, only a small percentage of our respondents has been interviewed more than once. Future research could examine identity perceptions and integration experiences from same respondents from a variety of functional departments and hierarchical levels over different time periods.

APPENDIX
Tactics used for Ensuring the Rigor of our Case Study

<i>Validity and Reliability^a</i>	<i>Implementation of case study tactics</i>
Internal validity: establishing causal relationships between variables and results, whereby plausible causal arguments are used	We relied on identity process theory and used a sensemaking perspective to guide our analysis of the case evidence. We used a story-telling approach to build an emergent theoretical framework. In addition, we conducted a time series analysis to ensure that our inferences based on the case evidence are correct. Finally, we ruled out alternative explanations based on a post-script of our study. To organize our case evidence we created a file for each departmental group in which we categorized the evidence in terms of identity responses while keeping track of the chronological order. We used the following sources of evidence: 1) documentation and organizational archival records which consist of formal-legal documents, company newsletters, media reports and transcribed public speeches; 2) semi-structured interviews with organizational members of KLM Our case study report cites the relevant portions of the case database and our case database reveals the actual evidence. Moreover, we clarified how access to the data has been achieved and how we proceeded in our data analysis. Our case study report is reviewed by peers and key informants. We provided a clear rationale for the case study selection and details on the case study context. We used a nested approach in which we considered the different departmental groups as separate cases. We developed a case study database with all available documents that we have used, organized chronologically.
Construct validity: establishing the quality of the conceptualization or operationalization of the relevant concepts	
External validity: establishing the domain to which a study's findings can be generalized	
Reliability: establishing transparency and the possibility of replication of the study's results	We used the organization's actual names.

^a Sources: Yin (2005) and Gibbert et al. (2008)

GENERAL CONCLUSION

In this chapter I first outline the main contributions of this dissertation. Then, the limitations of the study and implications for further research are discussed.

Major Contributions

The contributions in this dissertation can be divided into theoretical, managerial, and methodological contributions. The theoretical contributions in this dissertation pertain to the field of social identity, organizational justice, and the field of postmerger integration. Below I will discuss the main contributions in each chapter.

Our theoretical analysis in Chapter 2 suggests that although the concepts of culture and identity show similarities, they are significantly different. Moreover, our empirical exploration suggests that these phenomena differentially impact on human integration after a merger. Identification with the post-merger organization positively relates to both behavioral intentions and key attitudinal variables. In contrast, our results show that perceived organizational culture differences are negatively related to attitudinal variables. Finally, the effect of perceptions of cultural differences on behavioral intentions is mediated by organizational identification. While this is an important insight for the social identity literature, it certainly also informs organizational culture perspectives. Our theoretical discussion in Chapter 2 further points out that organizational culture can be more rigid than organizational identity, which, in turn, has important consequences for the implementation phase of mergers and acquisitions. When two companies are merged into one organization the organizational cultures need time to adapt to the change, while employees can identify with and adapt to a new identity more easily.

The results in Chapter 3 show how fundamental structural changes (such as M&As) can intricately influence not only the identifications of employees, but also the relationships between identification targets and types of identifications. The findings of our quantitative empirical analysis show a positive relationship between organizational and professional identification, but also illustrate that there are a number of important moderating variables that influence the

relationship between these two identification targets. First, we have to make a distinction between acquired- and acquiring-firm employees, as these experience the merger differently. This, in turn, has its consequences for the relationship between professional and organizational identification. Secondly, on a lower level of aggregation, we observe the impact of divisional group membership. More specifically, we find that a high integration intensity at the departmental level results in a less positive relation between professional identification and identification with the postmerger organization. By adopting a longitudinal perspective we are also able to show how the relationship between identification targets evolves over time. Our data allow us to examine the effects of professional identification on employee identification with the postmerger entity over three and a half year of postmerger integration. Findings show that the relationship between professional and organizational (post-merger) identification becomes more positive over time in a postmerger integration process. From a practical point of view, Chapter 3 shows how promoting employee identification with the merged firm may sometimes call for counter-intuitive policies. Our results suggest that if employees are given the opportunity to continue to look at their profession as a source of identity, this will positively influence their identification with the postmerger organization. Hence, in integrating activities within the merged firm, managers should take care to safeguard the subtle balance between professional freedom and organizational demands, in order to enable employees to continue to identify with their profession.

An important contribution to the justice literature is the development of a justice-based theory of postmerger integration that elucidates the social processes through which idiosyncratic norms of justice are made sense of and given sense to. The model developed in Chapter 4 helps to advance our understanding of the role of justice in ongoing merger processes in three ways. First, the analysis shows that ‘justice’ should not be merely seen as an issue to be dealt with only in the early ‘justification’ or ‘communication’ stages of M&As, but is an ever-present aspect of decision-making in postmerger organizations. Second, our analysis demonstrates how norms of justice are socially constructed in these ongoing processes. Third, our analysis underscores that sensemaking processes are complex, involve ambiguity, and are inherently political by nature. There is much more to justice than what both researchers and practitioners tend to believe, and in the end, in postmerger organizations, justice norms are as complicated and open to negotiation and contestation as are the actual integration decisions. From an M&A perspective, this dissertation has enriched the previously rather static picture of integration processes. Whereas the

longitudinal examination of different identification targets, perceptions of identity, and perceptions of distributive justice in M&As can inform the social identity and justice literature, the social identity and justice literature can also help M&A scholars to construct more dynamic theories of postmerger integration. Chapter 4 illustrates three types of dynamics in postmerger integration: temporal dynamics in terms of changes in norms of justice and their interpretations over time, dialogical dynamics in terms of the interrelatedness of actors' sensemaking processes, and inherent dialectics in terms of tensions characterizing this sensemaking, -giving, -hiding and -breaking. Finally, Chapter 4 elucidates the crucial process of 'consumption' of norms of justice. It is often assumed that employees simply agree with managerial norms of justice without acknowledging that these norms may be reinterpreted or even resisted. Our analysis demonstrates that justice consumption follows diverse patterns: employees will have to make sense of the norms shaped by management and their response will vary from the enactment of managerially espoused norms on the one hand, to the resistance, if not outright rejection, of these norms on the other.

In Chapter 5 a process model is developed that extends extant theories of sensemaking and change. On the basis of the findings of a qualitative study an emergent and elaborate theory is developed of how organizational members involved in a merger experience a threat to their organizational identity, how they respond to this threat, and how they engage in sensemaking processes in order to construct a new organizational identity. An important conclusion is that these processes may take different forms, depending on the situation of the employee, and that they are nonlinear, i.e. initial 'bolstering' of the 'old' identity does not preclude eventual construction of a new, postmerger identity. Such a perspective contributes to the articulation of a more complete theory of employee identity responses to strategic organizational change. Chapter 5 further illustrates the processes by which employees make sense of the occurrence of an M&A and ultimately develop a group-level identity, and the role top management can have in this process.

Turning to the research design, a strength of this study is its longitudinal and in-depth approach. We focused on both the acquiring and acquired firm simultaneously, and followed integration processes over time. Furthermore, we included different functional areas and all levels of the hierarchy in both of the organizations. Next to this, Chapters 4 and 5 developed fine-grained concepts of organizational justice and organizational identity, grounded in rich

qualitative data from a postmerger integration process. Quantitative studies could further examine the relationships between the first-order themes and second-order categories that we found. Moreover, it is interesting to see how these concepts play out in different contexts.

Limitations and Suggestions for Future Research

One important limitation is that our study involved a single case. Hence we have to be careful in generalizing our results. Moreover, we examined the dynamics of justice and identity within a particular time frame, namely three and a half years of postmerger integration. Needless to say is that nowadays other issues may take a more prominent role in this successful combination. On the other hand, our case study has provided a rich understanding of the different integration processes enacted in this specific context. Moreover, our single case at the level of departments and professions contains a lot of variance so that we are able to compare responses to different postmerger integration experiences. Finally, in each and every chapter of this dissertation we paid explicit attention to validity and reliability aspects ensuring the rigor of our case study.

Related to this, the dissertation focuses on social psychological processes in the particular context of symbiotic M&As. However, as stated in Chapter 3, we acknowledge that M&As can be of different natures. Yet, the two important characteristics of symbiotic acquisitions are a high degree of integration *and* a high degree of autonomy (Graebner, 2004; Puranam, Singh & Zollo, 2006). Although symbiotic mergers initially preserve the autonomy of the merging firms, the boundaries between the firms are over time made increasingly permeable, so as to enable further integration. Moreover, this gradual increase of integration will be clear from the start, and managers and employees of both firms know this (Haspeslagh & Jemison, 1991). Hence, symbiotic postmerger integration processes are likely to entail both an initial shock to and gradual changes in employee identifications. This makes symbiotic M&As an ideal laboratory for studying the dynamic aspects of organizational identification. With respect to organizational justice, organizational decision-making within M&As is often based on justice concerns, which are developed over time in particular contexts. However, most models of postmerger integration process are based on a ‘teleological’ understanding, and do not acknowledge the importance of the inherent process dynamics that may lead to unpredictable outcomes. Structural integration after the M&A, even if mitigated and postponed as with symbiotic integration, has a “dark side”, as it causes disruption of organizational processes and procedures and may lead to lowered

intrinsic motivation (Puranam et al., 2006). Especially in the course of symbiotic postmerger integration new assessments of integration objectives will follow and decisions need to be constantly adjusted. Again, this will have its consequences on perceptions of justice over time. Despite these arguments to focus on a symbiotic type of M&A, we do encourage future research to replicate and extend our findings in other types of collaboration, or even more general, in other types of organizational change, including e.g., spin-offs and divestitures.

A methodological limitation may be that we opted for a repeated cross-sectional survey design to avoid problems of subject attrition and panel conditioning. Although in our qualitative study we repeatedly interviewed a number of informants and used this sample to corroborate our findings, we still believe ‘pure’ longitudinal research designs (i.e. panel studies) are a complement to our study.

Finally, in this dissertation we focused on the concepts of identity and justice which arguably are of particular importance for the success of postmerger integration.¹ Next to the importance of both constructs in their own right, scholars have been focusing on the relationship between social identification and organizational justice (Huo, Smith, Tyler & Lind, 1996; Van Knippenberg, Martin & Tyler, 2006; Amiot, Terry & Callan, 2007; Gleibs, Mummendy & Noack, 2008). However, findings have been mixed. In part, this may be caused by the fact that with regard to this relationship a dynamic approach is also still lacking. Future research may contribute by asking the following research questions: Do identification levels and perceptions of justice change over time? And how does the relationship between organizational identification and organizational justice evolve over time?

Conclusion

Taken together, the papers in this dissertation advance our understanding of postmerger integration processes. In addition, it sheds new light on social identity and justice theory. The complex relationships uncovered in this dissertation imply that we should be very careful not to oversimplify social-psychological mechanisms in postmerger integration processes. The inherent complexity of postmerger integration defies the identification of simple, time-invariant regularities. As already stated before, targets of identification and perceptions of justice are of

¹ We do acknowledge that other factors (e.g., trust, leadership, and etcetera) play an important role in postmerger integration times as well.

critical importance in explaining organizational outcomes, especially in the context of large-scale changes in organizational life. Therefore, strategic management scholars working on M&As will also benefit from the insights developed in this dissertation.

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